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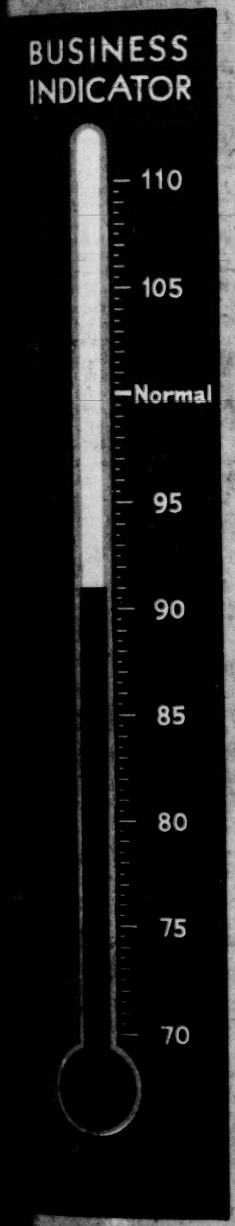
AUGUST 6, 1930

THE BUSINESS WEEK



EXACTLY a year after business scaled the peak of its 1929 boom it is reaching its low in the subsequent depression. . . . . Our index has dropped again, from 94.4% of normal to 91.1%, as compared with the high point of 114.6% a year ago, and will probably fall farther next week. (See pp. 33-34). . . . . August will bring definite signs of improvement, beginning with the basic industries, and as we move further into the last half, the paralyzing pessimism of recent months will find less to feed on in the comparative records of this year and last. . . . . Although the usual seasonal decline of building contracts has set in rapidly, abundant security issues for public and private work in the past quarter will cushion the decline, and the contracts placed so far will carry over into the business activity during the rest of the year. . . . . While general trade is beginning to sag under the pressure of months of impaired purchasing power and business confidence, industrial activity and railroad movement of merchandise show signs of revival under the stimulus of depleted stocks, and non-agricultural commodity prices are strengthening. . . . . At this crucial turning point, emergency Farm Board support of farm prices against the weight of temporary wheat and cotton surpluses, and further Federal Reserve support of the bond market are vitally necessary and wholly justifiable.

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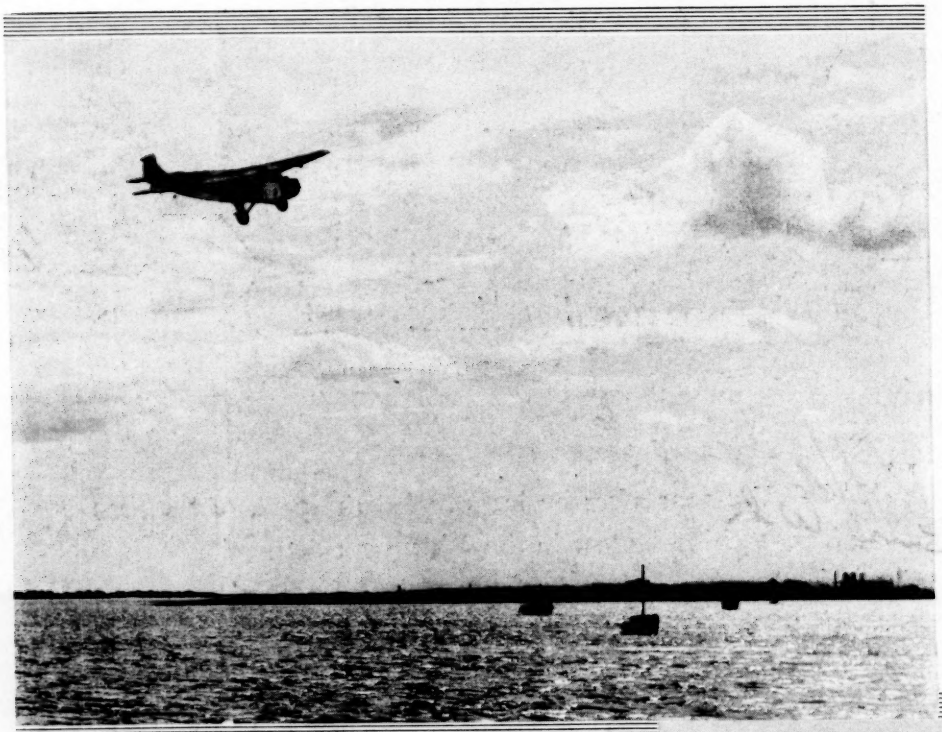

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The Ford plane is planned, constructed and operated as a commercial transport. Built of corrugated aluminum alloys, it has great structural strength and durability, and is most economical to maintain in operation. The uniformity of its material is determined by scientific test. All planes have three motors in order to insure reserve power to meet and overcome emergencies. The engines may be Wright, Pratt & Whitney or Packard Diesel, totaling from 675 to 1275 horse-power. Ford planes have a cruising range of from 580 to 650 miles at speeds between 55 and 135 miles per hour. Loads carried from 3630 to 6000 pounds.

The capacity of these planes is 9 to 15 passengers and a crew of two (pilot and assistant). Planes can be equipped with a buffet, toilet, running water, electric lights, adjustable chairs.

The price of the Ford tri-motored, all-metal plane is exceptionally low—$40,000 to $50,000 at Dearborn.

Ford branches will be glad to give you information on the Ford tri-motored, all-metal plane in all models.

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A Ford all-metal, tri-motored Army plane flew 1140 miles over land and sea from Miami to France Field, Panama Canal Zone, in 11 hours and 20 minutes, with a crew of four. In this record flight it passed through two rain squalls and dodged another. The official report said: "Plane and engines functioned perfectly, so the flight was made without particular incident."

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Most notable of all is the record of Stout Air Lines which have completed 1,000,000 miles of safe flight, carrying 107,000 passengers.

The Ford Plane

FORD MOTOR COMPANY

Visitors are always welcome at the Ford Airport at Detroit

THE BUSINESS WEEK (with which is combined The Magazine of Business). Aug. 6, 1930. No. 48. Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 15c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Canada Speaks

CANADA'S tariff temper swept one party out of power, destroyed another. With a mandate so emphatic, the new government will go the limit in protectionism. *(page 5)*

Bear Baiting

RUSSIAN pulpwood is embargoed; Russian manganese may be next. Amidst the hubbub, the President counsels sanity. *(page 7)*

Crop Prices

DROUGHT is the worst in many years, yet wheat prices sag; no one supports the markets. *(page 6)*

Food and Farmers

NOBODY accuses the Farm Board of dodging trouble. Instead, it seeks it; is trying to censor retail food prices. *(page 11)*

To Store-Door

STORE-DOOR delivery is old in Europe, saves time, expense, annoyance. B. & O. starts it in New York. Shippers cheer. Powerful interests oppose. *(page 18)*

Heavy Building

HEAVY construction, 1930, will equal 1929's, judging by bonds issued. Bonds precede steam shovels by about four months. *(page 16)*

German Plan Fails

GERMANY had a big idea. Wages and prices were to be cut simultaneously; the worker wouldn't suffer, the nation would undersell in world markets. But negotiations have virtually broken down, for interesting reasons, with interesting results. *(page 9)*

Golden Paris

INTERNATIONALLY minded bankers fear France's huge and growing store of gold will make trouble for the world. France says it is powerless to stop the inflow. *(page 29)*

Federal Reserve

FEDERAL RESERVE inertia puzzles bankers. The situation seems to call for pumping money into the market; the Board does nothing. *(page 10)*

Cleveland Banks

CLEVELAND has 100 branch banks; likes them; isn't keen about group banking but is studying it closely. *(page 22)*

Steel Moves

YOUNGSTOWN is dismayed at revelations of its famous lawsuit; learns the district's supremacy in steel is in peril. *(page 24)*

JAPAN pioneers in Manchuria, building a steel mill with $4 millions of equipment. *(page 26)*

8's the Point

BUICK 8's, replacing Marquette and Buick 6's, make the going no easier for 6's priced above $1,000. *(page 15)*

Motor Gospel

AMERICAN motor manufacturers intensify their cooperative evangelism, introducing the motor car to nations where it is all but unknown. *(page 15)*

British Coal Bill

BRITAIN'S coal bill, debated so long its outlines were blurred to most of us, emerges at last looking remarkably like the German coal cartel. *(page 19)*

Nitrate Truce

THAT cartel in nitrates whereby natural and synthetic were peacefully to divide up the world turns out to be solely European, and a temporary truce, at that. *(page 19)*

Too Many Peaches

THE world will eat 13 million cases of canned California peaches a year; this year's crop would pack 18 million. Growers hope their cooperative plan will stabilize prices. *(page 27)*

THE HIGH SPEED MACHINE FOR ALL FIGURE WORK

COMPTOMETER BUREAU—INDEPENDENT OIL AND GAS COMPANY, DES MOINES, IOWA

Keep an eye on the office

READJUSTMENTS—changing trends—new objectives—realignments—all follow fast upon the shifting tides of trade in these modern days.

This is the time when business needs figures—analytical figures—interpretive figures—timely statistical data.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending Aug. 2, 1930

New Canadian Tariff Will Be No Half-Hearted Retaliation

Temper of Voters Shown When Farm Bloc and Old Quebec Grudge Are Swept Away by Dominant Issue

Ottawa, By special correspondent

RESULT of the general election in Canada commands attention as being, more than anything else, a remarkably emphatic pronouncement of Canadian sentiment regarding the country's fiscal policy. Both political parties had made tariff policy and methods for promoting empire trade the issues of the election. The Canadian electorate has declared overwhelmingly for the "Canada First" doctrines of R. B. Bennett and the Conservative party.

From the Atlantic to the Pacific the people voted for an upward revision of the general tariff and in favor of reciprocal benefits in any intra-empire trade arrangement. Intimation that such an outcome was not unlikely was given in *The Business Week* July 23.

King's Policy Too Mild

In defeating the Mackenzie King government, the people rejected as inadequate the tariff legislation of the recent session of Parliament. It made numerous increases in the steel and iron schedule, accompanied by corresponding enlargements in the British preference. The avowed purpose was the transfer of a considerable volume of Canada's import trade from the United States to Great Britain. The legislation provided also for the establishment of so-called countervailing duties on certain commodities upon which the United States tariff is raised under the Hawley-Smoot Act.

Mr. Bennett and his party have been elected to office with a mandate to put into force much more vigorous protective tariff policies. The proposal of the Conservative leader to enact fiscal legislation "designed to give Canadians fair competition in their home market with all the world," to "ensure the production in Canada of manufactured and semi-manufactured commodities now imported from the United States to the extent of 600,000,000 dollars a year," has been accepted as being in the best interests of Canada.

So also has been accepted his proposition with regard to empire trade. He is opposed to the granting of preferences to Great Britain or any other part of the empire without securing in exchange corresponding benefits for Canada.

Prompt Action Forecast

As soon as possible after taking office, Mr. Bennett will put through Parliament tariff legislation. He will also attend the Empire Economic Conference in London and advocate measures for the promotion of intra-empire trade which would be reciprocal in their benefits. He will revoke the countervailing duties established by the King government as being objectionable in that they subordinate Canadian tariffs to the legislation of foreign countries.

Protection has been the traditional policy of the Conservative party since confederation. Those who know the Prime Minister-designate are convinced that he will not stop at half-measures. His upward revision of the tariff will be decidedly substantial. He has promised that it will provide "real protection" for Canadian industry, including agriculture.

Stability Is Promised

The decision of the Canadian people was induced mainly by two factors, economic depression, and the anticipated effect of the new United States tariff on Canadian trade.

An important result of the election is that for some time to come Canada is assured stable government and settled economic policies. This assurance is calculated to stimulate industry and business and encourage development. Stability has been more or less uncertain since the rise of the agricultural bloc in Parliament after the war. For the last ten years, to a varying degree, it has held the balance of power in Parliament and been able to a considerable extent to impose its will upon the government.

In the election this week, the farm bloc was shattered and its remnants rendered impotent. The Bennett government will have a clear majority of about 35 over all other groups in Parliament. In a house of 245 members, it will command 140 votes. In the last parliament the Conservatives had only 94 seats.

Not the least significant feature of the election is the extent to which the hitherto low-tariff prairie provinces turned to the party of protection. In the last House of Commons, Mr. Bennett was the only Conservative member from between the head of the lakes and the Rocky Mountains. On Monday, Manitoba returned 11 Conservatives out of its total membership of 15. Saskatchewan elected seven Conservatives and some farmer members pledged to support Mr. Bennett out of a total of 20. Alberta gave Bennett 4 straight followers and several other independents who will vote with him, out of 16.

French Quebec, which is naturally protectionist, has been solidly liberal for a decade, influenced by resentment against conscription during the war. Now, the Quebec bloc is broken, 25 of the 65 seats having gone to Bennett. The change is attributed to economic considerations.

New Tariffs Send Branch Plants Across Border

BUFFALO exporters believe tariff policies of the United States and Canada will result in great expansion of American branch plants in border cities of the Dominion. Lower costs of manufacture in Ontario cities, of goods for Canadian and British consumption, and ease of supervision from nearby American cities, will result in great industrial expansion at points opposite Buffalo, Detroit, and other border points.

This year more than a dozen Buffalo and New York state manufacturers have established plants in Fort Erie and Bridgeburg, Ont., suburbs of Buffalo.

Wheat and Cotton Prices Sag Despite Worst Drought in Years

Farm Board Ignores Market, Concentrates Activities on Organizing Cooperatives

THE most striking thing in the farm situation is that, after a month of the worst drought in a generation, in the most critical season, there has yet been no real crop scare, although this would be a fine year for one. The corn market alone has responded to crop damage reports; wheat and cotton have taken little notice of the weather, and prices sagged this week to new lows for the year. Corn has been badly hurt and has sold for more than wheat for the first time in this century. The price has swelled seaboard imports over the tariff.

Drought Toll Uncertain

Reports of wheat damage are indefinite. The Northwest states estimate about 3 million bushels below the disappointing year 1929. Flax and other crops are said to be reduced, and railroads fear cuts in crop tonnage. The wheat market is not stirred because the winter crop is now coming in faster than last year, and the spring wheat harvest has begun. Exports in recent weeks have been above last year, but are now falling off again. No one expects the Farm Board will do anything to sustain prices. The sad feature of the situation is that the Northwest, which cooperated most with the Farm Board in its plea for acreage reduction, again has to bear the burden of crop damage in addition to low prices.

No World Surplus

It is becoming more evident that wheat prices are unduly depressed by exceptional and temporary conditions of apparent surplus and business recession. The Department of Agriculture itself this week estimates that world wheat supplies will at best be no larger than last season and probably smaller, so that, with expected consumption and depleted stocks in importing countries, world wheat movement will probably increase and the carryover a year from now be much reduced below its present level. Nobody, including the Farm Board, who buys wheat now stands less than an even chance of selling at a profit next spring; but nobody in the wheat pit is willing to take the chance if the Farm Board won't, with all the money it was given to play with in just such a situation.

Cotton sags under the weight of big stocks, and little evidence of crop damage. Even the weevil this year has lain down on the job. World consumption this season will be 2 million bales below last. The carryover July 31 will be over 6 millions—largest since the 9,764,000 in 1921, excepting the 7,800,000 three years ago, and 900,000 over the average of the past 5 years. Private crop estimates are being cut, some as low as 14 million bales, but the first official report will not be out till early August. Considering the Farm Board holds most of the surplus over the average carryover, and also the possibility of some crop reduction, a business pickup would probably shake the cotton market out of its listlessness. The situation looks worse than it really is.

Board Helps Co-ops

The board, however, is not bothering with prices or the market, but is busy with co-op organization. The National Livestock Marketing set-up is apparently accomplished and internal conflicts compromised. In the spring wheat region the Farmers' National Grain Corporation has completed its organization by purchase of Quinn-Shepardson Co. of St. Paul, a big commission house, which will give the Farmers' National agencies in Minneapolis, Duluth, and Great Falls. The Farm Board's northwest wheat agencies have set up their headquarters in St. Paul instead of Minneapolis—a slap at the Minneapolis Chamber of Commerce and the private grain trade centered there. The Twin Cities will thus be headquarters of opposing camps in the Farm Board battle.

Farm Board marketing agencies expect to handle 200 to 300 million bushels of wheat this year. The Farmers' National is doing considerable export business. C. E. Huff says, "We delivered one lot of wheat directly from farmers in the Southwest to the door of a cooperative consumers' society mill in Scotland, a direct sale from producer to consumer without any other agency intervening. Thus three or four profit-taking agencies were eliminated." That's why Minneapolis now scowls across at St. Paul, and Julius Barnes goes into the bronze business.

On the Coast, after a hectic campaign, with night-riders and all the other apparatus of modern cooperation, grape growers producing 85% of the tonnage have signed up on ten-year

International News

FOR FORD'S MUSEUM

Dr. E. F. W. Alexanderson stands beside the first high-frequency alternator, developed by him 27 years ago for Dr. R. A. Fessenden, who used it to throw voices across the Atlantic for the first time. From this acorn grew the radio tree

contracts with the California Grape Control Board which the Farm Board has set up to stabilize the grape business. The Control Board is a corporation composed of growers' and handlers' organizations. With Farm Board advances to be repaid out of taxes on grower members, it will handle grape surpluses, averaging 300,000 tons annually, marketing them or manufacturing them into "by-products," or leaving them on the vine. The only by-product apparently not involved in the scheme is raisins. As for certain of the others, the federal prohibition officials favored and aided the Control Board set-up because it promised to give them fewer mouse-holes to watch.

Wheat States Call For Harvest Help

A PEACE time army of at least 15,000 more "hands" will be needed to garner the harvest in the Dakotas and Minnesota, according to reports by the employment bureaus of the Minnesota Industrial Commission and the United States Employment Bureau. On Aug. 1, the government bureau opened separate headquarters for its farm labor division at Fargo, N. D. Establishment of 16 branches in that state alone is in progress. The average wage is $2.50 a day with board and lodging, or $50 a month and "keep," slightly lower than last year.

Northwestern Railroads Await Crop Revenues

WITH current earnings of railroads in the Northwest at a low point, executives of the lines are earnestly watching the general business situation with special attention to the wheat crop on which so much of their prosperity depends. Despite some drought, a fair-sized crop is expected.

H. A. Scandrett, president of the Chicago, Milwaukee, St. Paul & Pacific, tells *The Business Week:* "Business is on the point of improving; there is a more optimistic feeling throughout our territory (Chicago to Seattle; Chicago to Omaha and Kansas City). An increase in price of farm commodities is what we are waiting for. It would be the best thing that could happen to our patrons and the territory in general."

W. P. Kenney, vice president and director of traffic of the Great Northern, expressed similar views. He believes that the far Northwest may experience the best yield from crops this year. "In Washington and Idaho," he said, "we expect a larger crop than last year as that section has benefited by rains."

Tourist Revenue Light

Rail executives are further worried by the fact that summer tourist travel in the Northwest is below last year. Where the Great Northern's "Empire Builder" (Chicago, Seattle, Tacoma, Portland) frequently ran in two sections last year during the Glacier Park season, it has seldom done so this year. Reductions in advertising appropriations are threatened to meet reduced revenue. Long-haul rail travel in that section is, for the first time, being cut down substantially; the short-haul business, of course, long ago ceased to be a factor of importance.

Soviet Pulpwood Embargoed, Fight Starts on Manganese

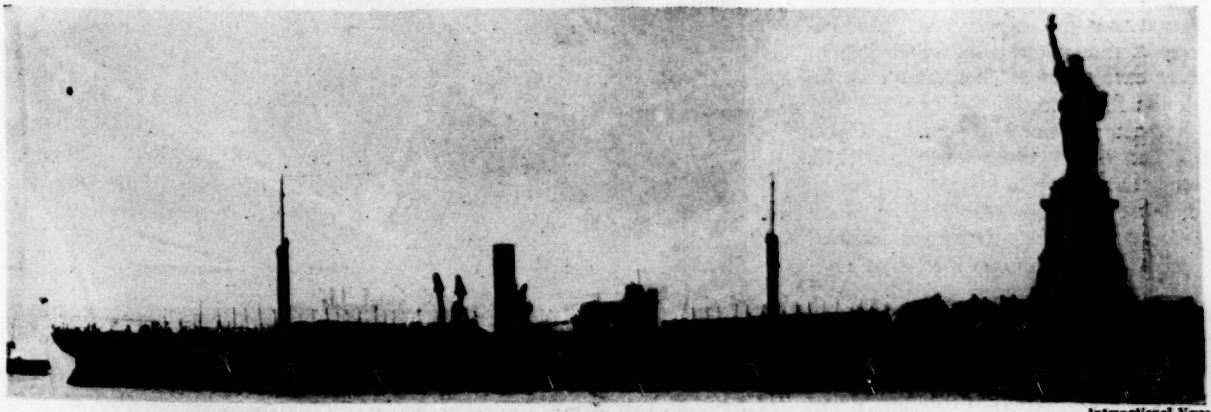
Two Ships Tied Up Here, More on the Way; President Hoover Makes a Few Quiet Remarks

CONVICT labor, the Treasury Department says, was used to cut, or at least to load, cargoes of Russian pulpwood. So an embargo was laid. Two ships in New York harbor are forbidden to unload. Other ships are in the trade, some of them on the way.

Soviet pulpwood (imports, 1929, $101,213) thus is added to the American embargo list, which already includes safety matches. Anthracite producers have not yet succeeded in getting embargo on Soviet coal, though it is on the "likely" list.

Manganese producers (50,000 tons—U. S. consumption, 850,000 tons) want an embargo, too. Senator Oddie, chairman, mines and mining committee, backs them in a formal letter to the Treasury, in which he charges dumping at prices below production cost.

In the midst of all the hubbub, President Hoover made a few remarks, their tenor conciliatory, sobering. He disclaimed hostility to Russian trade, quietly suggested the newspapers refresh their memory as to its importance by looking up the figures, drily re-



International News

NO GREEN LIGHT FOR RED SHIP

The Statue of Liberty stands like a traffic cop, halting with uplifted hand the S. S. Christian Bors. Loaded with Russian pulpwood, she is the first ship to be held up by the embargo

marked that sentiment seldom was allowed to influence business.

Meanwhile the Fish committee kept on fishing for evidence. And International Harvester was reported to be taking on employees to fill a $7-million tractor order.

Who complained about pulpwood is a secret; the Treasury never reveals, officially. A report from a commercial attaché in Finland prompted action, says one story. Lumber interests, is another rumor. Labor is a third.

Various details amuse observers sufficiently detached and sufficiently cynical.

America, of course, has to import pulpwood, or shut down mills. The latter alternative has been the one usually employed; the newsprint industry has been moving to Canada. There is no tariff on the finished product. Canada has threatened export duties on the raw material. International Paper Co. sees in Russian pulpwood a certain insurance for its mills in the northeastern states. The company says Russian pulpwood is no cheaper than Canadian, per cord, though possibly a little better. It adds that it doesn't quite see how an embargo can help its employees here. It does see how it might put them out of jobs. It had assurance convict labor was not employed. European competitors use Russian wood.

The Convict Clause

Washington wits say there was considerable smuggling right into the tariff bill. The new convict clause, for one thing. Convict manufactured goods have long been barred; the new clause broadened to include commodities mined or harvested. The talk was of the perils of Moroccan phosphate—not of Russia.

The clause is easily avoided, it seems. Free labor can be used for part of the operations—the export part. Another complication—it appears the allegations may have to be made against each individual shipment.

Soviet pulpwood imported last year totalled 6,481 cords, worth $101,213. None came in up to May 31, this year—the last record available. The wood comes from the Archangel district. There is a convict camp with some 150,000 inmates in the region.

The question of forced or indentured labor does not enter; that prohibition is not effective until 1932, and then not against commodities in which domestic production is inadequate.

Principal foreign sources of manganese supply for years have been Russia, India, the African Gold Coast, and Brazil. Annual imports from Russia before the war exceeded 130,000 tons. Deliveries last year exceeded 338,000 tons; were made almost entirely under special contract to United States Steel and to Bethlehem, largest of the four big manganese consumers in this country.

Authoritative opinion is that these companies have large stocks on hand to cover just such an emergency; that stiff opposition would be raised, especially by Bethlehem, if last year's Senate investigation had been less bitter, less recent.

Despite the fact that the Soviets have no doubt offered unusual prices to maintain their hold on the American market, business does not view the increased Russian exports of manganese as dumping. Russia has been building up this trade since 1886. India rapidly has been lost as a source of supply because of contracts with British steel interests. Union Carbide's Electro-Metallurgical Corporation already has its own connection with the Gold Coast.

Higher Duty Now

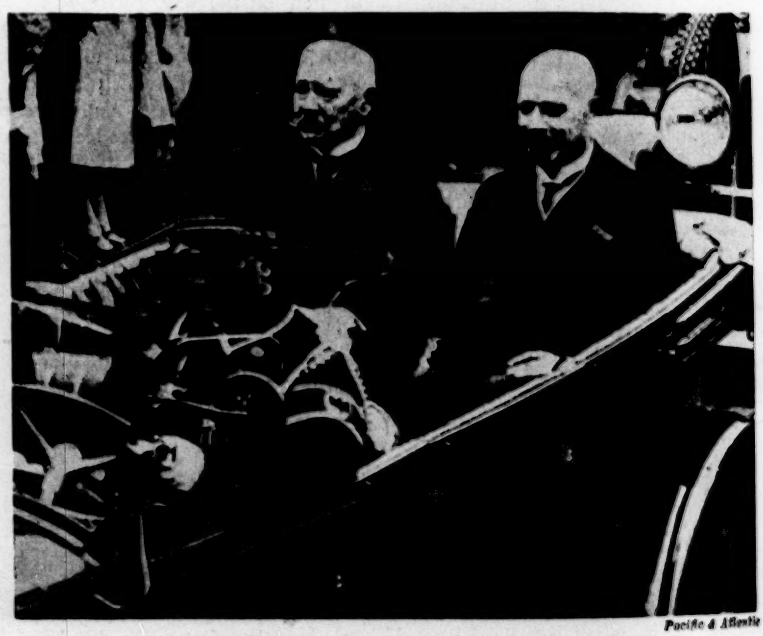
The new tariff increased the duty on manganese by assessing 1 cent a pound tax on all imports of more than 10% metallic manganese content, in contrast to the former 30% minimum. Ore from any of the supplying countries exceeds the 10% minimum.

Matthew Woll of the A. F. of L. issued a great blast, organized labor to work for complete embargo on Russian goods. Union labor hasn't profited much from Soviet orders. Large non-union groups in the metal trades—particularly in the agricultural implement factories—have had the steady employment filling huge Soviet orders for tractors, plows, seeding machines, oil drilling equipment.

Talkie Sales in Russia Are Limited to Advice

To the long list of Americans who are selling their technical advice to Russia was added this week the name of Joe W. Coffman, president of Audio-Cinema. He will leave soon for Moscow to become consultant to Soyuzkino, the united film industry of the Soviets, which is building sound studios in Leningrad and Kiev, and rebuilding the present studio in Moscow to be the largest sound studio in Europe. Coffman is the first foreign consultant to be called to Russia to advise the film trust; was contracted by Amkino, Soviet film representation in this country.

Russia has 2,131 theaters, with only 2 wired for sound. Under the Five-



Pacific & Atlantic

Von Hindenburg Visits the Rhineland

The President of Germany drives through the streets of Mayence. His visit, the first since the war, celebrates the liberation of the territory. Labor troubles could not dim the enthusiasm of his reception

Acme

THE RUSSIANS TESTIFY

Peter A. Bogdanov (left), chairman of Amtorg, leaving the hearing in New York of the Congressional committee investigating Communist activities. Others in the group are (left to right) Gregory Grafpen, Johann Ohsol, interpreter, and Joseph Michael, counsel

Year Plan, 65,349 film outlets will be provided. Only a part of these will be theaters as they are known in the West. More than 20,000 will be traveling equipment sets to operate in rural communities, and 16,000 will be projection arrangements in schools. The total cost estimated by Moscow officials is $100 millions. Under the Plan, 350 features will be produced in the last year.

The Soviets have purchased only small amounts of sound equipment abroad: one complete outfit from R. C. A. and another from Tobis-Klangfilm (German). American manufacturers were allotted Russia in the German-American patent treaty that divided up world markets. But most of the equipment for the developing sound industry in Russia is likely to be produced at home from model apparatus invented by Shorin and Tager.

Germans Fail to Balance Price and Wage Cuts

By Special Cable to The Business Week

NEGOTIATIONS between manufacturers and employees over the proposed general wage and price reductions will probably fail. The 10% price cut and 7% wage cut in the steel industry remains an isolated action which has not been followed by other industries. Reductions in retail prices continue to lag far behind moderate reductions in wholesale prices. The cartels and long-term wage agreements—the latter affecting 75% of all wages paid—are considered the chief obstacles to a readjustment of prices to lower levels, since they tend to increase the individual resistance of both manufacturers and labor to such efforts. The fact that the government seems willing to grant open or concealed subsidies where labor refuses to bear its share of price reductions, tends further to increase the opposition of trade unions to wage cuts. A striking example of this was cited here last week in connection with the subsidy given the Mansfeld Copper Co.

This week, Siemens Halske tried to induce its salaried workers to accept a general 10% reduction. This attempt was defeated by the opposition of trade unions and the Labor Ministry so that Siemens has now announced it will dismiss 10% of its employees. It is expected that this action will be duplicated within the next few days by other leading electrical manufacturers.

Unemployment Increases

This inability of both prices and wages to conform to changing conditions in domestic and world markets partly accounts for the increasing unemployment in Germany which is coupled with an increasing tax burden on those still employed. General belief that cartelized prices are important obstacles to lowered price levels has resulted in a provision in the Presidential emergency decree which authorizes the government to nullify price agreements and to prohibit price regulations whenever they prevent price reductions considered necessary in the general economic interest of the country. This is an important departure from the traditional liberal attitude of German legislation toward industrial combines.

All 'round increases in taxation, and the recent 4% increase in government-controlled rents, tend to raise living costs and to paralyze all efforts to reduce labor costs of industry.

Ralph Budd Prescribes For Soviet Railroads

RALPH BUDD, president of the Great Northern, now in Russia at the invitation of the Soviet government to study the country's railroads and recommend improvements, indicated the general tone of his complete report this week, following a 15,000-mile tour.

Struck by the similarity of topography and traffic problems between the United States and Russia, he recommends: automatic couplers and air brakes for all cars, adoption of larger cars, larger locomotives, automatic block signals to modernize train dispatching, more and larger ties, improvement of ballast, grade reduction. In short, as the New York *Times* correspondent points out, Mr. Budd suggests reconstruction by the American system rather than the European.

There has been a long and profound argument in Russia as to which system should be adopted.

Federal Reserve's Inactivity Helps Delay Business Upturn

Commercial Banks' Bond Buying Helpful; Release of System's Credit Would Help, Too

FORCES working toward increased business activity have been counteracted in recent weeks by the fact that the Federal Reserve system, instead of continuing a helpful release of credit to counteract the creeping paralysis of deflation, has done nothing. Commercial banks, working for trade revival, feel their efforts need to be supplemented.

The banks have bought $350 millions of bonds in recent weeks. This has been their greatest contribution toward business recovery. Commercial banks, savings banks, insurance companies, have stimulated the bond market powerfully. Rising deposits have gone into bonds.

Coincidentally, commercial loans have dropped nearly $100 millions in 4 weeks, following a heartening increase that didn't last. In the last period of rapidly increasing deposits, 1924, there was a rise of commercial loans by the banks, foreshadowing a business pick-up in the near future. There is small demand for commercial loans this time, but the investment in bonds, putting funds into capital structures, portends a pickup just as sure, although a little further away.

Some Shifting Trends

The volume of security loans has dropped about $200 millions recently, but the total is about the same as for commercial loans, which is unusual. While brokers' loans have dropped about $800 millions, security loans have declined by a fourth as much, showing clearly a switch from borrowing from brokers to borrowing from banks on securities.

Security loans are larger than bankers like them. But these and bonds are the only places where funds can be profitably put to work. Desirable short term investments yield too little to be profitable.

During this same period $50 millions of gold have been exported to France and Canada. This tends to make money less plentiful. And during this period the volume of Federal Reserve credit has dropped about $100 millions—also making credit less plentiful, working on the side of deflation from which business already is suffering.

The low demand for commercial loans, the low rates prevailing in the money centers, and the fear of being criticised as they were in 1927 have prevented Federal Reserve officials from taking the action needed.

The quoted low rates, however, are deceptive. They include 2% for call money, 2@2½% for time collateral loans, 3% for commercial paper, and 1⅞% for bankers' acceptances. These are prime paper. The low rates are brought about because banks need these for secondary investments. Foreigners, with the same thing in mind, have from $2,000 millions to $3,000 millions here. But these low rates do not prevail through the country; commercial loan rates and rate for agricultural paper range from 4% to 10%.

The lack of demand for commercial loans is due in part to these rates, in part to slow business, in part to the much stricter limitations the banks, in a swing to conservatism after last year's leniency, have put on all loans.

An increase in the volume of Reserve credit would counteract this, would add to the strength of the bond market. The bond market stands in constant danger, too. Any pickup in use of money for other causes would bring a calling of security loans, and the sale of investments. This would be a serious obstacle to any business recovery. Failure of the system to offset the gold exports in a period such as the present is unprecedented.

Its Policy Fitful

The Reserve system's actions thus far have been intermittent, not persistent. Since the end of seasonal liquidation earlier in the year, the volume of Reserve credit has increased fitfully from end-of-quarter demands, only to drop back again, and perhaps lower than originally. Continued declines in borrowings by member banks have been offset, or nearly so, but no more.

Holdings of bankers' acceptances have drifted downward recently, probably due to scarcity of bills. Government security holdings have risen

International News

TO FIX COLOMBIA'S FINANCE

The Kemmerer mission sails to complete the work begun in 1923. Front row, left to right, J. T. Byrne, former commercial attache in Peru, Dr. Kemmerer. Back row, W. E. Lagerquist, J. Louis Schaefer, Dr. K. M. Williamson. Dr. Kemmerer, the "financial doctor," has been called in to stabilize the finances of 19 nations

Acme

SIGNING THE TOBACCO TREATY

The United States and Cuba, represented by Postmaster General Brown (left) and Jose Montalvo, sub-director of the Cuban Post Office, sign new parcels post conventions under which Havana's famous cigars can enter this country in 22-pound lots. It will help American mail order houses to gain Cuban business

slightly. It is in purchases of government securities that the system has its only avenue to provide aid, since other channels are currently closed.

Discount rates have been reduced adequately. This very action shows a halting idea by the system that something should be done. But discount rates are ineffective, due to the extremely low level of borrowings.

Farm Board Undertakes Task Of Reducing Retail Food Prices

As though the task of coping with the farm problem and its scrap with the grain trade were not enough to keep it busy, the Farm Board has now added to its functions that of censor of retail food prices and critic of retail food distribution. This may considerably increase the temperature of the hot water in which the board is immersed.

It all began with a statement several weeks ago by C. B. Denman, Farm Board member representing livestock, that retail meat prices were too high and should be brought in line with livestock prices. Whether by coincidence, or by virtue of this pronouncement, the Department of Agriculture now announces that retail beef prices have been drastically cut in many cities, that the general level July 15 was 12 cents per pound below a year before.

Denman considers this shows that retail dealers in some cities, particularly Chicago and Philadelphia, are cooperating to stimulate consumption of beef. But he is not yet satisfied with results. In New York, for example, consumers are still paying too much, he thinks, and should demand their rights. "This is no time," he says to the butchers, "to pile up profits when we are in the midst of one of the greatest price recessions. The consumer should be allowed the advantage of lower prices on beef, and dealers should lower their prices in proportion to the present wholesale cost."

That retail prices are not yet in line with wholesale is evident. Live cattle are selling today for one-third less than a year ago. Wholesale beef prices also average a third less. Hogs are down 20% to 25%. Sheep and lambs most of all—bringing half to three quarters the prices last year.

McKelvie, representing wheat, made a similar attack on bread prices, but with no tangible result except to arouse the ire of millers and bakers. Demand for meat is usually more elastic than that for bread, and consumption would probably be somewhat increased by lower prices, although dietetic ideas have made for less meat eating in the past generation.

Want Packers to Retail

In addition to this direct personal advice by Farm Board members, the Livestock Advisory Committee, which has been helping the board organize its National Livestock Marketing Association, asks the board to use its efforts to have the packers' consent decree modified so as to permit the packers to go into retail distribution of meat and "thus determine whether the retail price can be materially lowered." Legge says he favors such modification, because he believes it would help cut retail distribution costs. If it hurt retail grocers, he says, "something needs to hurt them," for something is necessary to reduce excessive cost of retail sales —"the worst link in the chain of distribution." "If the packers opened retail markets," he says, "at least it would solve the argument of who is doing the profiteering."

Adds Fuel to the Fire

This line of action by the Farm Board, directed toward mobilizing consumer opinion on the side of farmers, opens exciting possibilities which would add to the gaiety of national politics, for it is hardly likely that retail interests, in chains or out, will yield to pressure exerted through governmental agencies any more than the grain trade has been inclined to do. The private grain trade may be forced out or absorbed by cooperative marketing agencies, and retail prices will follow wholesale prices as usual, after a lag, but not because a government bureau tells them to, nor without resistance.

Moreover, as a farm problem solution, lower retail prices of food are of minor importance. The extent to which domestic consumption of food products is increased by lower prices is limited, as Adam Smith pointed out long ago. Price reductions in manufactured goods are far more effective in stimulating consumption, and these are much smaller and slower because wages are relatively inflexible.

Shippers Line Up Behind B.&O. Asking Store-Door Delivery

Service Starts, Stops, Starts Again As Truckmen and Other Roads Show Fight

SHIPPERS hailed its carload store-door-delivery service, inaugurated in New York July 15 as a welcome step in the right direction, but the Baltimore & Ohio Railroad found the innovation frowned upon by other trunk lines. A suit to enjoin and an appeal for permanent injunction was filed by New York Dock Railway, Bush Terminal Railroad Company, Brooklyn Eastern District Terminal and Jay Street Terminal.

Shippers in all parts of the country are watching the proceedings with keen interest. Most of them would like to see some plan of store-door delivery put into operation. Direct and material reductions of retail prices on certain commodities might be one result

Store-door delivery has been practiced in Great Britain and certain continental countries for many years, with satisfaction to both the carriers and the shippers.

May Regain Tonnage

Proponents say railroads would regain much of the tonnage now carried by motor trucks between important distributing points such as New York-Philadelphia; Boston - New York; Cleveland-Buffalo; Cleveland-Toledo-Detroit; Chicago-St. Louis.

It is charged that up to July 15 freight rates applying to so-called free lighterage limits were observed and that no new freight tariff was published or filed with the Interstate Commerce Commission, hence no right to act except under existing tariff.

Under the new plan, B. & O. carload freight is transferred to trucks at St. George, S. I. and carried to Pier 21, East River; there the railroad officially ceases to function and the Store-Door-Delivery Corporation, said to be a B. & O. subsidiary, takes charge to the door of the consignee, who pays for the additional trucking service. The only new obligation assumed by the railroad is the service of moving trucks between the freight terminal at Staten Island and Pier 21, North River, while shippers are relieved of considerable responsibility, red tape, time losses.

Opposed to the plan are many and varied forces. The terminal and trucking companies see this as the entering wedge of an era in which they will steadily lose profitable business, for if no injunction is granted other railways will be forced to give similar service and thousands of carloads now trucked privately will be handled under control of the railroads.

N. Y. Central Disturbed

The New York Central Railroad can foresee a loss of much tonnage that now is routed for its Manhattan freight terminals. It starts construction of its new $10-million four-block square freight terminal and warehouse in September, 1930. Provision has been made in it for trucking service. In the meantime it does not want active store-door delivery, for it would be seriously handicapped trying to meet such service with its present facilities.

The Pennsylvania Railroad, still inclined to sulkiness because of the B. & O's bus feeder service, sees this new plan a further invasion of its territory and may be expected to be one of the most active opponents. Other railroads with terminals on the Jersey side naturally join with the N. Y. C. and Pennsylvania.

Arrayed on the side of the B. & O. is that vast army of shippers who have for generations been forced to accept the inevitable and found themselves completely at the mercy of the truckmen.

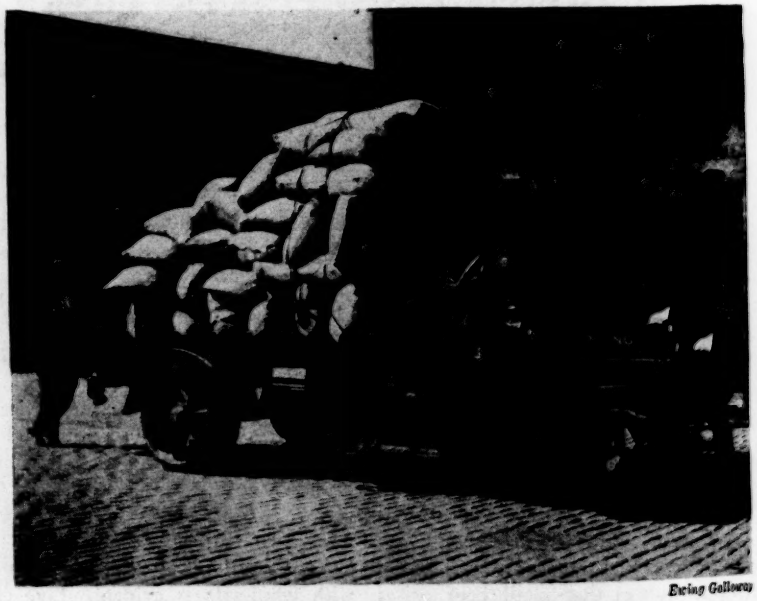
Through the highly influential Merchants Association of New York, the Shippers Conference of Greater New York, the Publishers Association of New York City and the Queensboro Chamber of Commerce, letters have been sent to the presidents of the eight railroads entering the city, asking that they establish a service like B. & O.'s.

The letter hails the plan as a means to reduce handling costs, eliminate congestion in terminals, streets, and avenues, and speed up delivery. Reference is made to the plan of constructive delivery stations which was established several years ago and subsequently discontinued.

Pilfering Minimized

While that plan was in operation, freight cars were released more quickly, goods were handled more speedily and at less cost. Theft and robbery, so common during pier storage, were practically eliminated.

Railroads entering New York are already substantially committed to the principle of store-door delivery in that they have agreed with the Port of New York Authority to the establishment of



Ewing Galloway

ENGLAND HAS STORE-DOOR DELIVERY

New to America, old abroad, store-door delivery is what the customers want. Here is one of the "steam lorries" used in England for the purpose

Pacific & Atlantic

TAKING IT EASY

Governor Fred W. Green of Michigan, makes himself comfortable on a nice, soft chaise longue (with wheels) at the furniture show in the Furniture Mart, Chicago

a "Universal Inland Station" which is expected eventually to render practically such service. But the bone of contention at this time is that the B. & O. has stolen a march on them. They now threaten to go B. & O. one better and offer an even more extensive service.

Showing its willingness to be fair, B. & O. officials decided July 24 to discontinue the service temporarily in order to give other carriers a chance to discuss the matter, or fall in line. It announced, however, that store-door-delivery on carload shipments would be restored August 1.

The controversy over the outcome of appeal for injunction is watched closely in every large city where merchants, wholesalers, large shippers are today laboring under an antiquated system.

Distribution Coordinated In Atlanta's New Terminal

CONSTRUCTION began this month on the Dixie Terminal, Atlanta's biggest building, the South's first air right project, to be operated by the U. S. Cold Storage & Ice Co., Chicago. It is on the site of the old union depot, demolished during the past 60 days. Atlanta moved into its new union depot this spring.

A complete combination of facilities is to be provided: 3½ million cubic feet of merchandise warehouse space; 1½ million cubic feet of cold storage space; union depot for truck lines serving the Southeast market; ice manufacturing plant; loft space for light manufacturing; 150,000 square feet of offices and stores, including the Atlanta mart for permanent wholesale displays of furniture, drygoods, and other merchandise.

Two-level streets bound the Dixie Terminal on 3 sides. On the upper, or viaduct level, will be retail shops; on the lower, shipping docks. All loading and unloading, either from train or truck, is to be under shelter. The merchandise warehouse division will give a complete service—pool cars, diversion, forwarding, and collecting.

Dixie Terminal covers an area 144 by 326 feet over Nashville, Chattanooga & St. Louis tracks, connected with all other Atlanta railroads. The main structure is 8 stories. The tower, of modern setback architecture, rises 22 stories above the upper street level. Design is by A. Epstein, Chicago.

The terminal is evidence of the progress being made in coordination of distribution which tends to simplify, cut costs, eliminate wastes, increase speed. Where formerly terminals and warehouses were physically separate, the present tendency is to merge them (*The Business Week*, Feb. 26, 1930), thus eliminating expensive trucking through congested streets.

Procter & Gamble Buys Into British Market

THROUGH purchase of control in Thomas Hedleyce, Ltd. (largest independent soap maker in the British empire; plants at Birmingham, Wathondearne, Newcastle), Procter & Gamble Co. clinches its position in that important market.

Although the unemployment situation has intensified public sentiment against foreign-made goods, foreign capital employed in giving work to British workmen effectively opens the door to domestic and empire markets.

Reports of P. & G. Co. purchase of the Cadum Soap Co. of France are not confirmed; rumors of impending expansion in France and Germany remain undenied.

Hand-to-Mouth Buying Hits Many Industries

HAND-TO-MOUTH buying carried to extremes in several industries, is slowing business for manufacturers, wholesalers, and retailers, reports this week indicate.

Tannery executives say that many shoe manufacturers are buying ultra-conservatively; are cutting up their leather only 3 weeks ahead of use where 6 weeks had been common practice. With stocks already depleted in size and styles, many retailers will be unable to replenish as business gains.

Radio set manufacturers exhibiting at the recent show of the Radio Manufacturers' Association did but a fraction of the business of former years because many wholesalers and retailers were unwilling to make seasonal commitments; wanted to order samples only and buy from hand-to-mouth. Electrical manufacturers find many wholesalers unwilling to buy except for immediate need. Food producers and canners, assert that wholesale grocers are slow in ordering.

Many department store buyers are on a commuting schedule to New York

and Chicago because extreme application of budgetary control compels small inventories, incomplete stocks, frequent buying trips. Customers come to buy at these stores, are unable to find the size or style they want, lose interest, stop buying, go elsewhere.

A check-up this week disclosed that shoe stores, including chains, are displaying many styles in show windows but incomplete sizes inside. Dress sales are widely advertised but only lop-sided sizes are on hand. Wholesalers are ordering fractions of normal requirements and depending upon "pick-up" deliveries.

Prices Need "Sound" Appeal To Lure the Wary Dollar

WOMEN are said to influence or decide 85% of all retail purchases, and if the truth were known, most of their decisions are made by the "sound" of the price. Be it melons or canned goods or soap, it is easier to sell them at "three for a quarter" than at 8 cents each, because it "sounds" cheaper. The dress that could profitably be sold for $6 is sold readily when marked $6.75, because women have mysteriously decided that $6.75 "sounds" like a better bargain than does $6.00.

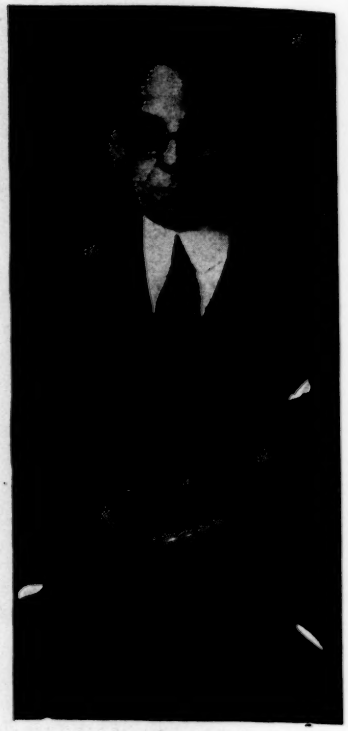
Similarly every line of retail merchandise has its "sound" scale of key prices and the successful manufacturer and wholesaler prices his goods so that ultimately the retailer can hit one of those key prices after adding his mark-up.

Compelled to bear this "sound" factor constantly in mind, four executives of Butler Brothers labored continuously for six weeks before their August catalogue and its 30,000-item price list could be sent out (*The Business Week*, July 30). In department T (tinware) alone 6705 price changes were involved.

In reducing retail prices it is not possible to make uniform horizontal drops. The public is accustomed to certain price levels. Oftentimes it is better business to "build merchandise," while leaving the quoted price unchanged. This is especially true of seasonal items. This year the dollar doll, for example, will be a little bigger, with finer clothes, an extra petticoat, better eyes, and other refinements.

Standard retail price levels, under $1, are 98c., 89c., 79c., 69c., 59c., 50c., 49c., 39c., 35c., 29c., 25c., 19c., 15c., 10c., 9c., 5c. Unless a retailer can reduce a price one full notch, he had better leave it as it is. Butler Brothers' price reductions are designed to meet this scale. An alarm clock, reduced from 72c. to 66c., will remain a dollar clock, but the retailer's margin at that figure will be 20% more. A "special" on clocks at, say, 79c., becomes more likely. Similarly, a reduction of a dollar watch from 82c. to 75c. is designed to benefit, not the ultimate consumer, who will still pay $1 for it, but the retailer who has been handling it at the too narrow margin of 18c.

Price reductions of a few cents a dozen in 10c. merchandise, for which retailers pay 65c. to 90c., are numerous. Other reductions are designed to move retail prices to the next level below. Thus cutting price of pie pans from 95c. to 75c. per dozen means a possible retail price of 10c. instead of 15c., a saving of 60c. per dozen to the consumer. On some lines the retailer will make more, on others less. The public will gain, but will not get all the benefit of lower prices. Some benefit the retailer will keep.



HE CUT PRICES

Frank S. Cunningham, the president of Butler Brothers, wholesalers to small town independents and to chains of their own, says that efficient independents will continue to thrive in thousands of towns, where chains cannot operate profitably

Wholesaler Hatches Chains To Save His Market

HEMMED in by precedents, trade practices and whatnots, wholesalers were slow to adopt measures to preserve their markets. When chains began making inroads, some commenced intensive cultivation of independent merchants, others undertook development of chains of their own, either owned, controlled, or mothered.

Five years ago, Butler Brothers—like its customers, the small-town independent merchants—began to feel the pressure of chain and big-town competition. Net profits fell from $3,363,090 in 1925 to $2,223,000 in 1928, and to $1,442,000 in 1929.

In 1928 Butler Bros. decided to go into the chain-store business, purchasing for cash a chain of 9 stores in the Southwest, renamed Scott Stores after Walter Scott, Butler vice-president.

Expansion of this wholly-owned chain, operating 5c. to $1.00 stores, has continued steadily. Stores are located in towns where Butler Brothers has no important customers. At the beginning of this year, there were 42 Scott Stores. Now there are 70. Leases for 27 more have been signed.

A second chain, L. C. Burr & Co., named after another vice-president, operating junior department stores in the Southwest, was launched this year, the first store being opened Feb. 21. There are now 9 units, 8 more leases.

Frank S. Cunningham, president, believes that the chain store will not put the independent merchant out of business. There are thousands of towns in which merchandise chain units cannot be run profitably. The efficient independent will continue to thrive.

Automotive Industry Campaigns Abroad; Foreign Sales Grow

Trade Association Sends Out Representatives to Promote Use of Motor Vehicles and Road Building

INDUSTRIES interested in increasing their foreign sales are watching the motor vehicle manufacturers who, through the National Automobile Chamber of Commerce, are carrying on an intensive, extensive, and highly successful campaign abroad to increase motor car use. Major objectives are: to increase the use of motor vehicles, decrease the cost of owning them.

To meet the present world-wide slackness in automotive sales the N.A.C.C. has increased its efforts. It recently sent a representative to South America who will discuss automotive problems, give talks, show motion pictures, and otherwise create public and official interest in automotive subjects in 150 cities of Venezuela, Colombia, Peru, Bolivia, and Chile.

A representative, stationed in Paris, carries on similar activities throughout the countries of Europe; has recently completed a trip through the Balkans. A third travels in Australia, New Zealand, and the English-speaking parts of the Far East. Still another brings the automotive gospel to the countries of the Near East.

These activities had their birth in 1924 when the first World Motor Transport Congress was held in Detroit. To it came representatives from 55 countries, all eager to learn how to make better use of motor cars. Carrying out promises made to them then by the American industry, the N.A.C.C. has gradually developed a number of services which have made it the recognized source for accurate advice and information on all matters pertaining to the industry; has made its New York headquarters the Geneva of the automotive industry.

The current itinerary through South America is the latest step in the plan. A typical stop includes a meeting with local dealers at which their problems are discussed and any help possible given them. A local theater is engaged for an evening, and by paid advertisements the public is invited to a free illustrated lecture on automotive topics. Attendance is unusually large; in Colombia, for example, no meeting had fewer than 1,000 guests.

The results of these campaigns in changing the public's attitude toward automobiles, in changing the various governments' attitude in regard to import duties and taxation, have been remarkable. With 92% of the world's population still ignorant of motor car use, the potential market expansion is tremendous and the American industry is cultivating it.

N.A.C.C. foreign promotional efforts are also beneficial to foreign car manufacturers (competitors to N.A.C.C. members). The idea is to expand the market; American makers will take their chances on getting their share of the new business.

International News

WINGS FOR THE BIRDS

The Massachusetts roofing makers engage the first Goodyear-Zeppelin for publicity purposes. The business began in 1795, is still run by the family. During recent curtailed production, it provided full time employment by building a new warehouse, using workers from all departments

Buick Eights Lessen Prospects for Sixes

BUICK'S announcement of 4 lines of straight 8's to replace the Marquette 6 and three Buick 6's, may make hard going for 6-cylinder cars selling for more than $1,000. A few are still available—Nash, Reo, Hupmobile, Graham, Franklin, Willys-Knight and some others offer sixes—but the 8's far outnumber them, and direct competition starts at even lower price levels. Marmon and DeSoto offer 8's at less than $1,000 list; Hudson, Oakland and Buick 8's but a few dollars above.

Below $1,000, 6-cylinder models outnumber all others; account for more sales, although 4-cylinder cars (Ford, Whippet, Plymouth, and Austin) bulk large in totals. The intensity of competition in this price class is indicated by the fact that at list prices from $500 to $1,000 one may choose among Chevrolet, Whippet, Durant, Willys, Essex, Pontiac, Chrysler, Graham, Dodge, DeSoto, Oldsmobile, Studebaker, Nash, and Auburn—all 6-cylinder cars; the 4's mentioned before; and the two 8's—Marmon and DeSoto.

Just to add zest to the competitive situation Chrysler announces price cuts ranging from $100 to $150 in its "70" line—6-cylinder cars—and has reduced the price of a Plymouth model to $565—the lowest a Chrysler car has ever been offered. This reduction of about $45 puts the Plymouth all even with the Chevrolet.

The new Buick models are somewhat higher in price than those they replaced; the new Chrysler 8 is slightly above the "70" and "77" models; the new Studebaker President and Commander are higher.

Free Gillette Deal Made Dealers Greedy

WITH 27 states covered, 10 million "deals" sold, Colgate-Palmolive-Peet Co. was forced to tie its shaving-cream-razor knot tighter, to keep dealers from grafting other brands into the combination offer, or selling razor and cream separately at more profitable prices.

Bootlegging the "deal" into territory not yet scheduled—to have the edge on competitors—is to be checked through new restrictions upon national chains, buying agents, wholesalers.

The remaining 21 states are expected to take 10 million additional "deals," making a high record of 20 million combinations sold, 11 millions more than in 1925, when the old style Gillette was given with Palmolive cream at 35 cents.

Retailers Nervous Over Design Copyright Bill

RETAILERS are somewhat nervous over the prospect that the Vestal Design Copyright Bill already passed by the House, will pass the Senate in December. The bill provides that if a court declares certain goods infringe on a prior design, all supplies in retail hands will immediately become unsaleable. Sponsors of the measure are vigorously trying to satisfy the retail opposition.

Should the bill become law, retailers have two possible protections against loss innocently incurred: they can demand a contract with each purchase that makes the supplier guarantee against loss; they may be able to get a court decision holding that the manufacturer is the implied guarantor that the designs of his goods are original. The latter possibility would add a new phase to the returned goods problem of manufacturers and wholesalers.

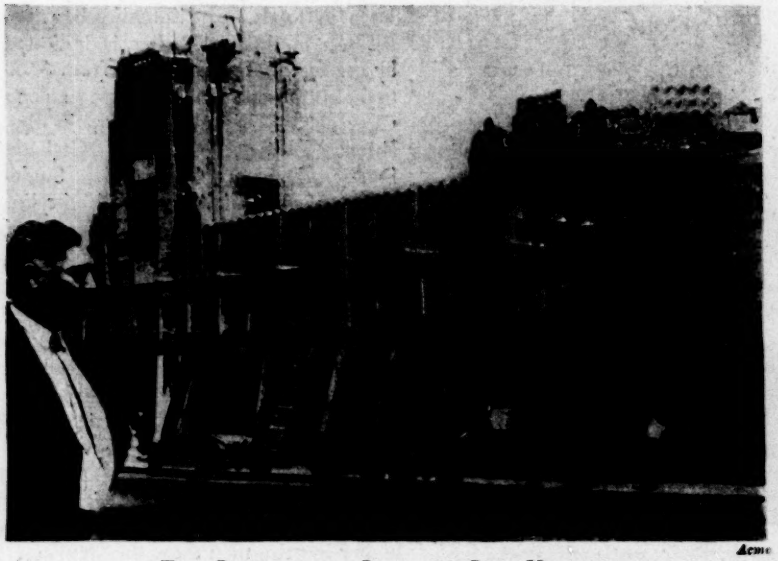
The bill was framed primarily to correct conditions in the textile industry where large silk companies, maintaining expensive departments for originating designs, find that competitors, without such facilities, pirate their ideas.

Coast Puts Gasoline On Consignment Basis

AFTER a gasoline war among independent retailers that finally dragged in the big companies and carried gasoline prices down to within a few cents of the State tax, California refiners have decided to prevent further outbreaks by putting retailing on consignment basis.

Under this plan, ownership in the gasoline is retained until it is pumped into the ultimate consumer's tank. Selling prices can be fixed, "cut-rate" retailers eliminated. Service station owners will receive 4 cents a gallon commission.

The plan is similar to one under which Mazda Lamps have been successfully retailed for 15 years, in which actual ownership and consequent pricing are retained by the manufacturer.



THE CAULIFLOWER INDUSTRY GOES NATIVE

Jess Willard, former heavyweight champion, watches progress on his new food market in Los Angeles. It features what the women shoppers want—all under one roof

PRIZE GEISHA

The winner in a contest for a poster to be used in the United States to attract tourists to Japan

Heavy Building in 1930 Will Equal 1929 Total

JUDGING by public and private security issues so far, *Engineering News-Record* estimates that the volume of heavy engineering construction during the rest of this year will increase sufficiently to make 1930 at least break even with 1929 in this class of building operation. Long comparisons have shown that contracts follow new security issues for construction purposes by about four months, and, it may be added, the peak of building operations growing out of contracts comes about four months later still. So the full effects of the financing done so far this year will not be seen till later in the year.

Long-term public bonds go practically 100% into construction. Public issues of both long and short term bonds in the first half of 1930 were $1,170,000,000, as compared with $1,155,000,000 in 1929. Public construction during the next three months should, therefore, hold somewhat above the level of the past year.

Private corporation securities for capital investment purposes so far this year are 20% above last. In March to June they were 41% higher. On this basis there is every expectation that private heavy construction in the last half of this year will exceed last year sufficiently to cut down the present deficit of 29% in this class and probably leave no deficit for the year as a whole.

Hydro-Electrics Get Setback; Droughts Force Return to Steam

GENERATION of electrical energy by water power, already decreasing, finds a further setback in the widespread drought that hangs over most of the country east of the Rocky Mountains. Utilities depend more and more on auxiliary steam plants in the emergency.

Records just compiled by the U. S. Weather Bureau show that over a considerable area including much of Ohio, West Virginia, the western portion of Virginia, Kentucky, southern Indiana and Illinois, and southeastern Missouri, there has been only one-third to one-half of the normal precipitation for the last 5 months. Sections adjoining this area, including Maryland, parts of Virginia, Tennessee, and the northern Ohio Valley from Missouri southward, have fared slightly better with 50% to 70% of normal rainfall.

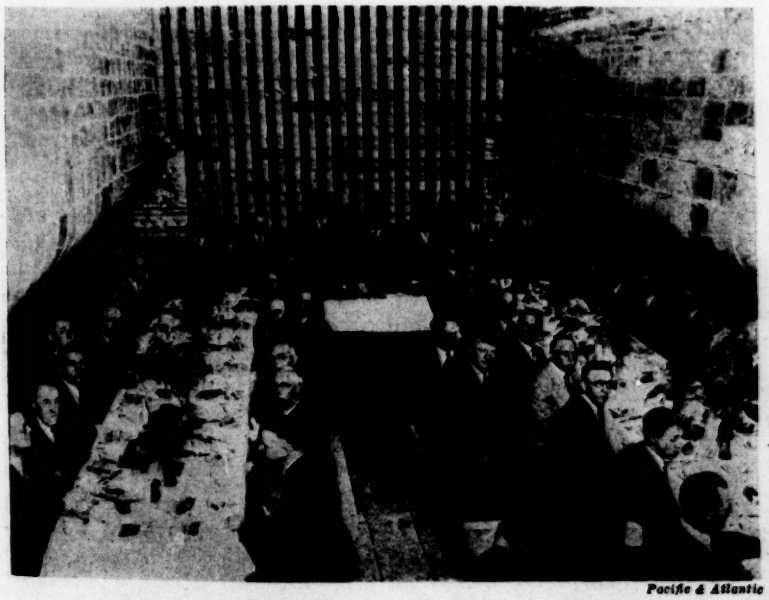
These conditions are forcing power companies to the conclusion that ample steam reserves must be provided, even for the most favorably situated hydro systems; are causing hydro costs, already trending upward, to increase sharply; are increasing the use of fuels—oil, natural gas, and coal.

Use of natural gas and fuel oil in the power field increased more than 40% each last year; is increasing to an even greater degree this year. The ratio of hydro to fuel power output was 40:60 in 1928; dropped to 36:64 in 1929. Expenditures for hydro developments have fallen from $113 millions in 1928 to $95 millions this year, while those for steam plants increased from $182 millions in 1929 to $196 millions this year. In the Pacific states, hydro stronghold, the percentage of power produced by hydro dropped from 86% in 1928 to 74% last year while fuel-generated output increased from 14% to 25%.

Speaking for the Pacific Coast area, A. H. Markwart, vice president, Pacific Gas & Electric, says: "Because of the cheapness of steam-electric power, few hydro-electric projects are economically justified. It is apparent that the whole economic trend is toward 100% steam for new installations unless some very favorable hydro presents itself." Economy of steam plants has increased 28% in the last 10 years, he asserts.

Mr. Markwart's statement gains further weight from the fact that an analysis of rainfall over a 52-year period for a certain region in the Pacific Northwest makes even the normal for 1929 only 69% of that at the beginning of the period.

Meanwhile, engineers speculate on what may happen during the life of present-day water-power engineering structures.



Pacific & Atlantic

FIFTY EAT IN A FIREBOX

The firebox of the largest boiler in the Pacific Northwest was the dining room for fifty guests of the Northwest Public Service Company. It is used in the "standby plant" of the company's hydro-electric development at Portland, Oregon

Niagara-Hudson Units Aid State's Reforestation

As part of its effort to aid industrial development of New York state, companies of the Niagara-Hudson Power system have planted more than 21,500,000 trees and will plant 5,000,000 more this year, most of them in the Adirondack region.

Watersheds, stripped of trees, cannot hold the water stored in winter snowfall. Reforestation, says the utility, helps flood control and hydroelectric production by providing a more uniform stream flow, hence a more even production curve. In addition, it increases timber resources and land values.

Court Rules on Utility-Holding Company Relations

UTILITY officials are studying this week a decision handed down by the Missouri Supreme Court which holds that an operating company can avail itself of engineering, managerial, advisory, and financial service from a holding company and can pay for it. The case involved was that of the St. Joseph Water Co., which sought approval of increased valuation and higher rates.

Court held that the authority of the Public Service Commission to regulate utility companies does not include right to dictate the manner in which the company shall conduct its business; that it is no concern of customers or commission if the operating company obtains necessary materials, labor, and supplies from a holding company so long as the quality and price of the services rendered by the utility are up to the law's requirements.

Customer Stock Sales May Help Utilities

NEW to public utility financing is the offer of common stock to customers by Montreal Light, Heat & Power Consolidated, with the unlimited participation in profits which goes with it. This is in contrast to the widespread policy

of selling preferred shares with limited participation.

Utility men will watch the experiment to see whether it reduces fluctuations in common-stock prices and thus removes a major objection to this type of public ownership.

The plan may be the means of dispelling the suspicion that inordinately large profits are made on common stocks; may enable the customer to see that the common-stock holder is a participant in the hazards of business—is not guaranteed any fixed return and is therefore entitled to greater potential returns; may, because of the more direct proprietary interest which the customers will have in their local company, induce them to take a more active part in aiding commercial development and in combating unjustified attacks on the industry.

Building Industry Tries Again To Organize Its Loose Ranks

TWENTY leaders of the construction industry held council Wednesday behind closed doors at the Chicago Athletic Association. Secretary of Commerce Lamont was to preside; was detained in Washington; Julius H. Barnes presided.

The construction industry has not arisen to the present emergency. It is not responding to the stimulus of cheap money. The home modernization campaign, possibilities of which have been pictured in glowing terms, so far has fizzled.

The trouble is fundamental; it cannot be cured by stimulants. Construction is a badly scattered and unorganized industry. There are some 67 different units or steps in its vertical setup. There is no control of production. A dollar invested in a home today buys less than one invested in any other main necessity.

Comment by *The Business Week*, (April 9) that "an industry steeped in traditions of independence does not change overnight into a disciplined army of cooperators" now appears to have had a prophetic tinge.

Superseding the National Building Conference there is hereafter to be a "National Conference on Construction." Julius Barnes is chairman of a committee now working on plans for a permanent organization. Various branches of construction and allied agencies of finance are to be represented. Evidently, stronger representation of finance in building councils is being sought.

A preliminary announcement of this week's closed-door session stated that 20 leaders were to be present including 6 representatives of finance: John G. Lonsdale, of St. Louis, president of the American Bankers Association; John W. O'Leary and Harry Wheeler, Chicago bankers; E. A. Hale, of Boston, president of the United States Building and Loan League; Frederick H. Ecker, president of Metropolitan Life Insurance Co.; A. A. Zinn of St. Louis, president, Mortgage Bankers Association.

Mr. Zinn showed up at the meeting. So did Sidney R. Small, Detroit, chairman real estate securities committee, Investment Bankers Association. Mr. Ecker was represented by a vice-president. Mr. Hale, attending his association's national convention at Grand Rapids, was represented by R. Holtby Myers, first vice-president. The commercial bankers were absent.

For the most part, those attending were the usual representatives of the usual assortment of associations, organizations, and government bureaus commonly among those present at Hoover gatherings. Credit is due them for their willingness to shoulder serious responsibilities. Unfortunately, unless they are able to get more, and more active, cooperation from the industry, they cannot do much.

Federal Bankruptcy Study May Mean Change in Law

THE federal government will investigate bankruptcies and recommend changes in the law to curb the toll upon American businesses that failures now take. Aroused by the stench uncovered by New York and New Jersey investigations, President Hoover this week ordered a vigorous national investigation into the $750 millions yearly losses.

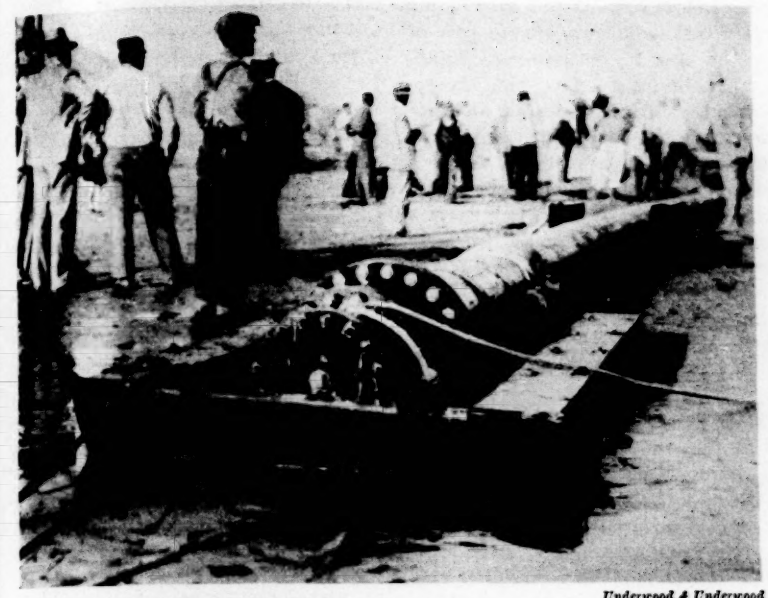
William D. Thacher, solicitor general in the Department of Justice, and former federal judge for the southern district of New York, will head the work. The Department of Commerce, which has made studies of its own, will assist. William Donovan, former assistant attorney-general, recommended elimination of receivers; a federal bankruptcy commission to relieve the courts (*The Business Week*, April 2). Thacher wrote a supplemental opinion.

The federal study will cover a dozen or more large commercial cities, according to tentative plans. Recommendations will be prepared for the session of Congress opening in December.

International News

SUBSTITUTE FOR MATHEMATICS

This intricate board saves electrical engineers hours of mathematical calculations. By inserting plugs and turning knobs, engineers can obtain a miniature reproduction of a proposed power transmission network; can study the effects of short circuits and other "disasters" on the system



Underwood & Underwood

OVER THE MOUNTAINS AND UNDER THE SEA

This is the sea end of Standard Oil's new pipe line. The other end is in Kettleman Hills, 70 miles away. Tugs dragged it out to deep water, 3,000 feet offshore. Tankers can anchor there, pick up the flexible connection, establish communication with the shore by plugging in on a "telephone buoy," and take on cargo without docking

Coal Bill Britain's First Try At Reorganizing an Industry

By Special Cable to The Business Week

THE British Coal Bill, after months of prolonged debate, has at last passed both houses of Parliament and needs only the royal assent to launch Great Britain upon her first and greatest experiment in the reorganization of a basic industry.

The final bill is virtually in its original form except that the question of application of the eight-hour restriction on working hours is left to be settled by the national mine workers' organization and the employers' association. Four months hence, working hours will be reduced to 7½ a day, thus partly fulfilling the promise of the Labor Party to reduce working hours of British coal miners. It was to carry out this promise that the Labor Party found it necessary to undertake this scheme for reorganizing the coal mining industry.

The essential features of the bill are the organization of the British coal mines into district groups for the purpose of controlling production by working only the most economical mines, and to subsidize exports by increasing prices to domestic consumers. The government has power of supervision over the organization and policies of the district pools and may compel them to adopt certain plans of organization and certain selling and price policies. In this respect it is a first step toward the nationalization of the industry.

Secondly, the two important factors in the industry, labor and employers, represented by the Miners Federation and the Mining Association, are given legislative recognition and status and are made responsible for the adjustment of labor relations in the industry.

In all these respects the scheme resembles the German coal cartel and actually establishes the first cartel on the continental plan in England. The only important difference is that the British government has somewhat smaller power of control over the operations of the cartel and the interests of the consumers are not so definitely represented in its organization as is true on the continent. The German coal cartel, which has been in operation for many years, has worked fairly satisfactorily for all parties concerned and it is probable that in the course of time the British system will be improved in the light of continental experience. As it stands, however, it is the most important step that has been taken in England toward solving her most serious industrial problem.

The bill has been unexpectedly well received in all quarters. Mine owners are relieved that the struggle in Parliament has resulted in putting vital rearrangements up to them and to the miners rather than to the state, thus implying that the trend toward nationalization is away from governmental management and toward industrial management with governmental veto power.

Consumers are satisfied that there is some hope that more contented miners may give undisturbed delivery of coal at reasonable rates, but are dissatisfied that internal buyers are expected virtually to subsidize export trade by offering cheap coal to foreign competitors.

"World" Nitrate Cartel Causes No Worry Here

NEGOTIATIONS now going on in Paris, widely reported as likely to achieve a world-wide cartel of nitrate producers and end the battle between the synthetic and natural (Chilean) groups, will do no such thing in the opinion of authorities in the American chemical industries. The battle between the two groups will go on, they say, and if the conference accomplishes anything it will only be a temporary truce on certain phases of the battle; minor phases from the American point of view. And in any event, the Paris deal excludes America. Any stabilization of prices that may be set will touch the United States ony in respect to imports and exports.

Not Alarmed by Chile

Nor do American chemical industries "view with alarm" the drastic reorganization of the Chilean natural nitrate industry now under way to strengthen the position of producers there in the battle with synthetic product which they know will go on. Details of the new $365,000,000 cartel in which the Chilean government has a one-half interest, appeared in *The Business Week* for June 11.

American producers of synthetic nitrate and by-product ammonia have been able to market their output at prices that offer severe competition for the best of the Chilean enterprises. Many lead-

ers in the American chemical industries doubt whether any but two or three of the Chilean companies can long continue to produce and deliver nitrate at eastern seaboard ports at a cost which will permit sale in competition with American-made synthetic nitrate. These leaders point out that the supply of the synthetic can be expanded indefinitely as long as attractive markets are available; that the American synthetic industry has outstripped even the foreign producers despite the greater unit cost of labor and certain raw materials; that an unquestionable military security has been established, and adequate industrial supply of nitrogen assured; that costs to users are continuing their downward trend.

Contractors Lay Plans To Build up Confidence

THE ills of residential construction are beginning to be aired, much to the joy of the home builders. Following a discussion of the subject last week by the Associated General Contractors meeting in Washington, comes the announcement by Secretary Lamont, as chairman of the National Committee on Wood Utilization, of the appointment of N. Max Dunning, Chicago architect, to be head of a sub-committee which will prepare a booklet on "How to Judge a House."

The contractors expressed the opinion that lack of confidence on the part of the public was the most serious handicap to the industry. Jerry-built houses put up for speculation and not for satisfaction have made the public wary of making an investment in which it is not competent to ascertain true values.

The new book is designed to give a better understanding of the principal structural and architectural features of a house; will enable readers to judge workmanship and materials, and will, in general, better prepare them to buy a house with full knowledge of just what they are getting.

Other handicaps listed by the contractors: lack of facilities for supplying second mortgage funds, absence of legitimate organizations of home builders and residential contractors. Co-operative promotion of home building is the solution of the problem, contractors believe; contractors, building supply trades, subcontractors, real estate dealers, financing institutions, should all work together in an association to promote home building.

Chicago Land Prices Fall As Building Costs Drop

BUILDING costs in Chicago are down about 10%, due mainly to increased efficiency of labor.

Union bricklayers, who recently laid 600 bricks a day, are now laying 1200 to 1500. Carpenters who hung six doors a day a year ago are now hanging 10 or 12; are laying 500 square feet of flooring a day instead of 300.

Residential construction costs are down about 15%. Land prices have fallen in proportion. Property near Lake Michigan in the Edgewater Beach district, appraised at $600-$650 a foot a year ago, is now appraised at $500.

Business Ills Not Cured By Wage Cuts, Leaders Say

REDUCING income of labor is not a remedy for business depression; it is a direct and contributing cause.

This is the consensus of opinion of a cross-section of America's largest employers of labor who go on record in the current issue of *Printer's Ink* against the idea that the cure for depression is to cut wages. *Printer's Ink* wired to ask them what they thought of the Chrysler wage cut.

George F. Johnson, president of Endicott-Johnson, says: "The best place to start necessary reductions of income is with the over-paid and over-privileged, not the under-paid and under-privileged. When business needs more income, follow the income. Secure it from those who have it."

James A. Farrell, president of the United States Steel Corp.: "Wages in the steel industry are not coming down. If you are going out to sell your goods and eliminate your profit and expect to get it out of the men in the mills you are greatly mistaken. Use better judgment in your selling prices for material and get rid of the idea that wages are going down."

C. R. Palmer, president of Cluett, Peabody & Co.: "In my opinion a general reduction of wages and salaries at this time is entirely unwarranted. Such action would be demoralizing and tend to bring about the very conditions we are all striving to avoid."

Arthur Roeder, president of the Colorado Fuel & Iron Co.: "No progressive management would cut wages or salaries merely because it might have an opportunity or excuse to do so."

Among others who report that no wage reductions will be made at present in their organizations are Harold C. Keith, president of George E. Keith Co.; Howard Coonley, president of the Walworth Co.; Charles R. Hook, president of the American Rolling Mill Co.; and A. C. Loring, president of the Pillsbury Flour Mills Co.

Pacific & Atlantic

OLD-TIMERS AFLOAT

Soichiro Asano, founder of the Toyo Kisen Kaisha, and Captain Robert Dollar, of the Dollar Line, meet for the first time aboard the N.Y.K. liner Tatsuta Maru in San Francisco

The First Problem of Sound Investing

It is not "how *shall* I invest my surplus funds?" but "how *should* I?". Every investor must answer this primary question for himself. He alone has the knowledge which enables him to correctly appraise his personal financial situation and outlook. If he decides that investment securities provide the best answer to his problem, his next step is to call on an investment organization qualified to supply his particular needs.

The National City Company, with important investment contacts in all of the world markets, has the broadest possible opportunity for investigation, analysis and selection of securities. The distributing organization of the Company thus is able to submit to investors a wide range of securities singled out from the world's choicest offerings.

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Fight Over Branch Banking Is All Old Stuff in Cleveland

Big Banks With 100 Branches Serve Huge Basic Industries Without Recourse to Group Plan

CLEVELAND is a great place for the American Bankers Association to meet this year. Friends of branch banks will point to Cleveland's success with one of the oldest and most extensive branch bank systems. Opponents of group banking will note that Cleveland has no groups—unless one emerges before Sept. 29, when the convention meets. In Cleveland, too, are independent banks, with no branches—also doing well.

The fight over branch banking is all old stuff to Cleveland. It was fought out 25 years ago when Cleveland Trust opened branches. It got the jump on other banks because it began when there were no restrictions, and was well on its way before the Ohio legislature in 1910 shut branches within city limits—but leaving Cleveland Trust what it already had, of course, and that was a network flung over a semi-circle of 30-mile radius.

Other Cleveland banks were not long following suit. Cleveland Trust, $325 millions resources, has 57 branches. Union Trust, $374 millions resources, has 23 branches. Guardian Trust has 15. In all there are 100 branches.

Crowding Neighbors

The popular and growing group banking hasn't come to Cleveland yet, though it has invaded the territory all about. The Guardian group at Detroit has a land bank in Cleveland, but that's not in the commercial field. Downstate Ohio has the growing Bancohio group at Columbus, and the Bancokentucky group of Louisville and Nashville has banks in Cincinnati. To the East are Buffalo and Pittsburgh, both with groups.

Groups haven't been formed in Cleveland as yet for several reasons.

The usual motive in most cities has been bigger business needing bigger banks. But Cleveland banks have always had to handle big business. Cleveland is iron and steel, shipping and ore—basic industries that need huge credits and which fluctuate widely both by seasons and by cycles. So Cleveland had to grow big banks long before groups were devised.

Besides, the branch system was there first; Cleveland bankers are "branch-minded." Branches seem to them efficient, economical, time-tested. Maybe they'll be allowed to spread their branches further, by new legislation. They're inclined to wait and see what Congress will provide. They'd rather do it that way.

A Test Being Made

Meanwhile, just to be on the safe side, ready for anything, group banking is being studied. Two banks have set up an actual laboratory test—quietly. Invasion by an outside chain certainly would bring quick action. And if Congress fails to liberalize banking law, Cleveland banks may feel it necessary to form groups to match formidable growth on all sides.

The chances are small of any great change in business financing being brought about through changes in Cleveland's banking structure. Some corporations in Cleveland always will go to New York for most of their accommodations. When the Van Sweringens want to buy a railroad or build half a city, New York is the only place where they can get accommodations. Other businesses can get lower rates in New York at some seasons of the year. They'd probably continue to do so, even though there was a much greater banking concentration in the Cleveland area.

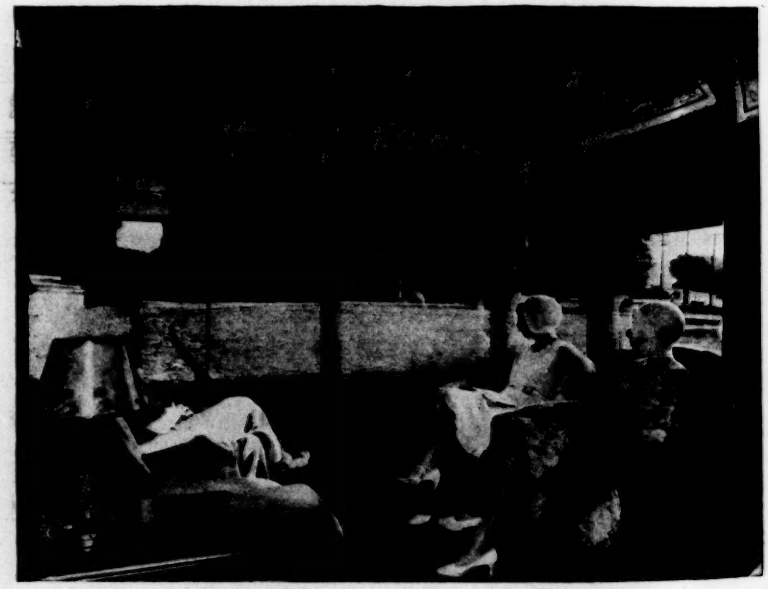
The Van Sweringens are one of the biggest banking factors in Cleveland. For years they'd been with the Union Trust. Recently they started a bank, the Midland, now housed in elaborate quarters in their new Terminal development. It has $48 millions in resources. George F. Baker came out from New York and was conspicuous at its opening.

Cleveland, too, has been the center of the labor banking development, headquarters for the banks of the Brotherhood of Railway Engineers. These banks of course, have pretty largely passed from the picture.

Bank Speeds Deposits With "No-Wait" Plan

A "NO-WAIT" plan just introduced by National Bank of the Republic, Chicago, enables a receiving teller to serve 8 or 9 depositors in the time he formerly handled one.

The depositor presents his deposit and slip, receiving for them a check



TO MEET DE LUXE BUS COMPETITION

One of the cars on the Cincinnati & Lake Erie interurban system. The new observation trolleys can make 90 miles an hour, and often better the train time between Cincinnati and Toledo. They have all the luxuries of extra fare trains at bus prices

much like a restaurant hat check. The deposit goes into a sealed box in his presence. Later, auditors check over deposits and mail customers verification slips. Extra cost to the bank for postage is offset by added convenience to customers and by savings in tellers' wages. Instead of 12 windows, 4 or 5 will suffice, it is believed.

This is one of a series of innovations introduced by George Woodruff, Joliet, Ill., banker, who took the Republic reins in 1922.

Wide Reading

PRESIDENTIAL PROSPERITY. James Truslow Adams. *Harpers*, August. Chronology of business prognostication which turned out to be bad guessing.

BETTER CAR SALES IN SOUTH AMERICA ARE IN PROSPECT. George E. Quisenberry, *Automotive Industries*, July 26. Argentine and Uruguayan products are the only exports of South American countries seriously affected by our tariff. America must continue to buy from these nations and they will require our automobiles.

GREAT BRITAIN HAS LOBBIES TOO. E. Pendleton Herring. *Virginia Quarterly Review*, Summer. No scandal, no fuss—but lobbies not unlike our own.

SOAP IN TUBES? George P. Metzger. *Advertising & Selling*, July 23. For packagers keeping abreast.

THE TURKSIB IS AN ASIATIC MONSTER. *Fortune*, August. Built by a Chicago anarchist, operated by Tartars, Kazaks, and Uzbeks, it is today's outstanding job of railroad construction.

BOOKS

HOW OLD AM I FINANCIALLY? Charles Mills De Forest. American Provident Corporation, 116 pp., $3. A life guide in personal economics with record tables; new and valuable help to the individual.

CAN BUSINESS PREVENT UNEMPLOYMENT? Sam A. Lewisohn, Ernest G. Draper, John R. Commons, Don D. Lescohier. Knopf, 226 pp., $2. Yes. What to do and how to do it, from experienced business men and economists.

TRUSTS AND CORPORATION PROBLEMS. Seager and Gullick. Harper, 671 pp., $5. Analytical discussion devoted to history and background of present day conditions.

REPORTS—SURVEYS

THE CHICAGO STOCK EXCHANGE, 1930. Published by the Exchange, 50 pp., with charts and tables.

TRAINING PLANS FOR OFFICE EMPLOYEES. Metropolitan Life Insurance Company, 20 pp. Describes personnel and executive training methods in Commonwealth Edison Company, McGraw-Hill Publishing Company, Swift & Co., Standard Oil Company of New Jersey, Metropolitan Life Insurance Co., General Motors Institute of Technology.

How to Cut Costs With Strip Steel

USING 500 to 1000 pound coils of strip steel instead of heavy flat materials, manufacturers are saving money from the time the strip arrives at the unloading platform to the final operation into the finished part.

The ease in handling during the unloading operation immediately reflects itself in your costs and each subsequent handling thereafter results in a saving of time and expense.

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This is an example of the way manufacturers are attacking and solving the problem of reducing costs in their plants. To him who really seeks faster operations and lower costs there is a way to do it.

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Youngstown Hears Bad News About Its Future in Steel

Passing of "Pittsburgh Plus," Coming of New Processes, Made Sheet & Tube Uncomfortable

WHEN the heavy cannonading opened in the battle over Youngstown Sheet & Tube, the city of Youngstown feared some of the shells of high trajectory would land in her pansy beds. She is not disappointed.

Chairman James A. Campbell and President Frank Purnell of Sheet & Tube spared the feelings of their fellow citizens when they gave out the original sketches of the Bethlehem merger, but in the trial of the suit brought by Cyrus S. Eaton they have not hesitated to blurt material which outrages the feelings of half Ohio's chamber of commerce secretaries. They have hung out a vast economic wash.

The sad news which President Purnell imparted from the witness stand to "the valleys"—the Mahoning and Shenango steel districts, the Cleveland and Canton-Massillon districts—was that they are now so surrounded by new steel regions like Detroit and Chicago that they must exist by running to specialties and putting as much labor as possible into finishing up their product.

Youngstown Sheet & Tube, he told the court, has prospered by clinging to flat rolled and tubular products, drawing more than half its profit from the tubular. It attempted plates but failed in them; it considered rails but found the geographical market too narrow; it thought of structurals but saw Bethlehem in the east, Chicago mills in the west and Pittsburgh salesmen all around.

Beset on All Sides

Meanwhile sinister things were threatening to sheets and tubes. The continuous rolling process was being taken up by one after another of the steel companies, Sheet & Tube included. Each was being forced to put in large new investment for plant, with inevitable overproduction. What happened to sheet prices impends at some future date, Purnell testifies, for tubes.

The last time a merger with Inland Steel of Chicago was being discussed, in 1929, Samuel Mather of Cleveland told Sheet & Tube it ought to join Inland, because all its own products were subject to serious changes in manufacture. Continuous sheet, continuous tin plate, continuous welded pipe, were causing deep concern in the Sheet & Tube offices. In the last few weeks the company has brought out its own tube welding process.

Another source of worry to Youngstown was the growth of a new steel district in the enormous Detroit market that consumes 35% to 40% of all sheet produced. Sheet & Tube actually pondered Detroit as a location for a sheet mill. When Newton Steel began its new plant at Monroe, Mich., Campbell discussed the possibility of consolidation. But either proposal involved junking an enormous investment in furnaces along the Mahoning River.

The solution, the directors finally agreed, was to "dilute" the company's pipe business by joining Bethlehem, to save its sheet business by using Bethlehem's treasury to make the big new investment required, and to contribute its Chicago plant as dowry.

The fundamental forces in these great continental shifts in the steel business, according to the testimony, were the rise of byproduct coke during and after the World War, and the abolition of "Pittsburgh plus" in 1923. The use of byproduct coke in place of beehive destroyed the trade of the Connellsville gas coal region, deprived Pittsburgh of part of its advantage in assembling the materials of steel production. Cleveland has held the theoretical low formula for assembly cost, though Andrew Carnegie said Conneaut, O., was lowest, but all these depended for their validity upon beehive coke. With byproduct coke Chicago was on equal terms with Pittsburgh, except for the center of the steel-buying population.

The older eastern centers were even more embarrassed by the suspension of the practice of figuring local prices by taking Pittsburgh prices and adding to them the freight.

Centered in Youngstown

The Eaton company, Republic Steel, is in the same situation as Sheet & Tube. It has absorbed plants in Buffalo, Cleveland, and Chicago, but they are all small; its capacity is still overwhelmingly centered in Youngstown. The Eaton solution has been a more intense specialization than Sheet & Tube's—new alloys, a protected welding process, other patented products, and a reach for ore control.

Nor has Eaton contended that Sheet & Tube was any less obligated to protect itself. The dispute arose over the method. Eaton wanted Sheet & Tube to absorb Inland but her directors preferred Bethlehem.

Eaton and Sheet & Tube apparently are agreed as to the elements of the newest new era and their bearing on the destiny of steel companies. For them the path of western Pennsylvania and eastern Ohio lies either in a vigorous prosecution of new and more refined production (independently or in consolidation), or a definite acceptance of a lower relative rank in the national economy. The choice confronting these regions would seem to be substantially the same as New England's.

Acme

MOTHER AND SON

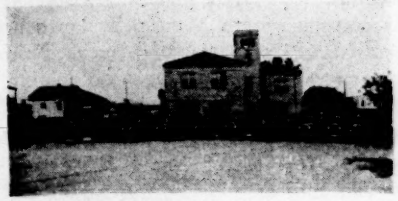
Charles M. Schwab visits his 84-year-old mother at her home in Loretto, Pennsylvania

Japan Starts Work On Manchurian Steel Plant

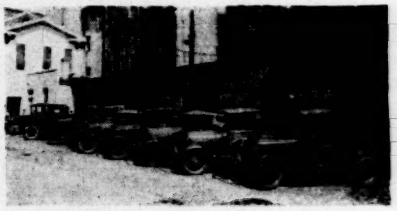
WITH characteristic modesty Japan has developed plans for a new general steel mill in Manchuria, has purchased machine equipment valued at $4 millions from German manufacturers, will begin construction probably before the end of the summer. Most of the world has not yet heard of the development,

City of Mobile, Alabama

GOES AIR CONTAINER



FIRE DEPARTMENT



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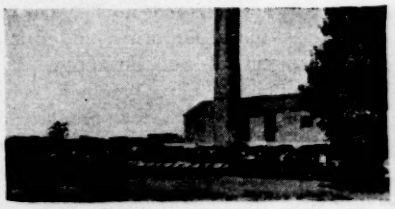

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though the European steel cartel last week decided the new project "would be a source of small worry for some time."

The new mill will be built by the powerful South Manchuria Railway Co., Japan's largest business enterprise, controlled by the government. In the New York offices of the South Manchuria it was not known whether final decision had been reached on the location of the mill. Because the company-owned ore deposits are located at Anshan, there is some sentiment in favor of locating the mill in that vicinity, though officials generally favor Dairen, already the home of the Shakako Locomotive Works which produce more than one-half of the railroad equipment manufactured by the Japanese. Yearly capacity of the new mill will be something over 500,000 tons of finished steel products. Compared with annual production at Gary's enlarged plant of 2,500,000 tons, this output is not large; compared with Japan's total steel output in 1913 of 300,000 tons, in 1929 of 2,200,000 tons, it is significant. It will do much toward making Japan self-sufficient through the wise development of holdings in Manchuria.

Our Engineers Comment

Shrewd American engineers who studied Japan's mechanical development last year while attending the World Engineering Congress at Tokio point out interesting facts in connection with the project.

When at the end of the Russo-Japanese war Japan took the railroad which is now the South Manchuria, the gauge was changed from 5 ft., common on Russian lines, to the Japanese standard of 3½ feet, only to change again in a few years to the American standard of 4 feet 8½ inches. Soon after that change, Japan began buying American locomotives and cars, following American equipment standards. Feeder lines soon ran the total mileage to 700, to which was added, as a subsidiary, the Chosen (Korean) State Railways which now have a total mileage of 1100 and connect the South Manchuria with the port of Fusan, an 8-hour ferry ride from Japan.

Before the World War the Shakako Locomotive Works were built in the suburbs of Dairen. Modern machine equipment from Germany, England, the United States, combined with foreign-trained Japanese workmen has made it possible for the South Manchuria to produce a fair share of its own equipment in recent years. More than 100 locomotives have been constructed at Shakako, 300 passenger coaches, and 4000 freight and coal cars, a few of which have been sold to Japanese and Chinese government railways.

After Coal and Iron, Too

As a part of the development of the South Manchuria, Japan has developed vast areas of Manchuria's coal and iron deposits. Open-cut mining for coal at the company's mines at Fushun produces more than 25,000 tons a day. Pig iron output last year from the company's mines exceeded 600,000 tons. Dairen, port for the South Manchuria, handles annually imports and exports valued at $140 millions. To handle more efficiently the increasing volume of coal exports, the railroad has just completed a new coal pier 1300 feet long, which has been modeled after the American handling methods at Norfolk, Va., and equipped with cranes and loading machinery purchased from the Alliance Machine Co. at a cost of $400,000.

When the new steel mill is operating it will undoubtedly cut into the Japanese market now shared by the United States, Germany, and Britain. But the cut is not unexpected, for Japanese orders have gradually been narrowing down to a few products not yet produced at home. The dent it may make in the Far Eastern market is minimized, for keen students admit that orders from the Far East in recent years have been spasmodic, have not been counted by European and American steel exporters as a vital part of any expansion program.

Silk Culture in China Held Up by Bandits

BANDITS are making the transfer of money so hazardous in the silk-growing sections of China that the purchase of cocoons has been greatly affected. Ordinarily, Shanghai silk merchants send actual cash to their agents in the interior. This year it can't be done safely, the foremost producing regions, around Soochow, Wukiang, Sungkiang, and Huchon, have become so infested with bandits.

Foreign insurance companies, which have hitherto insured the remittances at reasonable rates, have been forced to increase their premiums, in some instances as much as 200%. No headway is being made apparently toward stamping out the banditry.

Legge Plan But Private Funds Handle California Peach Glut

ALONG with other agricultural surpluses with which the Federal Farm Board has been attempting to cope, comes a surplus in the California cling or canning peach crop. The plan for disposal tentatively agreed upon bears a striking resemblance to the Farm Board plans for other commodities, except that it is being financed by private capital raised in the industry itself.

There are two reasons why this year's enormous cling peach crop—officially estimated at 485,000 tons—and its disposal are of interest. In the first place many of the California fruit crops are virtual monopolies, and any variation in production or fluctuation in price is reflected nationally. Thus apricots and lemons are exclusively California products. Prunes and grapes are almost monopolized; 90% of the U. S. crop is grown there. Of the fresh peach and pear crops 36% comes from California; over half the canned pears, the entire dried peach and pear production, and 99% of the canned or cling peach production. All of these fruits are more or less common articles of the national diet.

May Be Useful Precedent

The second reason is the probability that such a surplus is likely to repeat itself in future years and the success of any disposal plan will be a useful precedent. There was a tremendous expansion in fruit crop acreage in California following the war years. After the war, prices for the staple field crop products dropped suddenly, while fruit prices remained relatively high. There was a frantic rush to switch from low-priced field crops to fruit and vegetable crops.

This rush was aided and abetted by bankers, real estate dealers, chambers of commerce and other civic organizations, anxious to "develop the country." Indeed, the policy was not without wisdom, for California lands are generally high-priced and cannot hope to compete in staple crops with lower-priced lands elsewhere. But the extended plantings were not fully warranted.

Between 1920 and 1925 the acreage in field crops decreased 26%. In the same period, fruit crops increased in acreage 43%. Figs with 156% showed the greatest increase, and table grapes the next with 130%. Other increases were: olives, 22%; walnuts, 33%; plums, 46%; peaches, 46%; pears, 48%; apricots, 55%; almonds, 82%; grapefruit, 103%. Only lemons showed a decrease, 5%.

By 1928 the increased plantings began to make their effects felt. The canned fruit pack had increased 48% over that of 1920; the dried fruit by 58%; fresh fruit shipments by 182%. In 1928, growers received $20 a ton for peaches that cost $21 to $28 to produce. Grape growers are still trying with Farm Board help to extricate themselves from their 1928 disaster.

Growers Get Respite

In 1929 the growers—those that had any fruit—had a respite. Unseasonable frost reduced the peach yield to about 40% of the expected crop, and other deciduous fruits suffered as well. Discouraged grape growers reduced irrigation to a point just sufficient to keep the vines alive. This and late frosts brought the grape crop down somewhere near market needs.

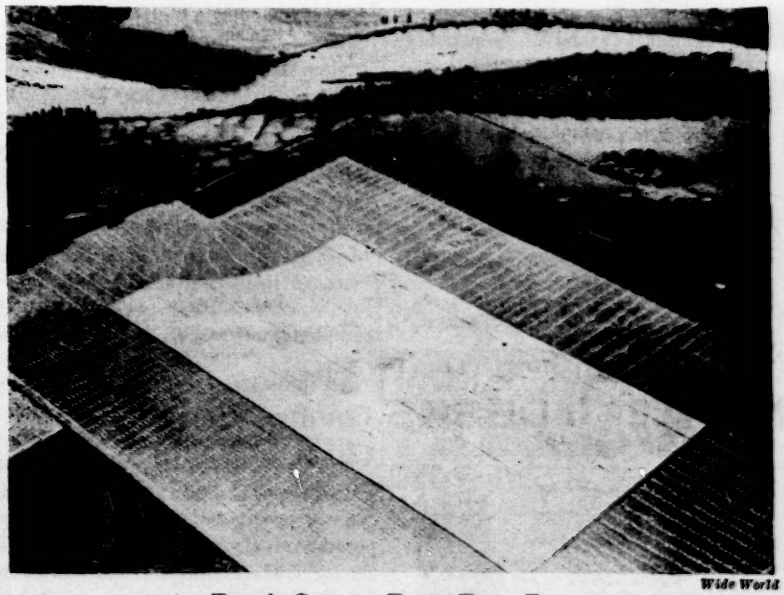
With a crop of only 179,000 tons, the peach growers saw a chance to recoup—and they did it! For No. 1 grade $70 was demanded, and the state records show an average farm value of $68.30. Other fruit crops were high. Considered as a whole, California fruit growers enjoyed a prosperous year. Individuals whose crop was destroyed or reduced by frost suffered.

While canners of peaches were alarmed at the high prices, fearing an advance in retail prices that would completely vitiate the effort put into exploiting this fruit, they had to pay the price. However, the short pack—7 million cases against 14 million in 1928—enabled them to clean out hold-over stocks and start 1930 with practically a clean slate. So perhaps 1929 was not too bad for the canner.

13 Million Is Market

Now comes 1930 with 485,000 tons of peaches, sufficient to pack 18 to 20 million cases. About 13 million is the limit to supply the market and leave a comfortable carryover to 1931. The obvious thing for the canners to say to the growers is, "How little will you take for enough peaches to can 13 million cases?" That happened in 1928 when 70,000 tons of peaches were not harvested. This year about 170,000 tons will have to go unharvested but a plan has been proposed whereby all growers will get some return, whether their fruit is harvested or not.

The plan was made public July 8 by the Cling Peach Control Committee of grower and canner organizations, banking interests and the State Department



Wide World

THAR'S GOLD IN THEM THAR FIELDS

Just how much gold depends on the weather and the Farm Board, for this is an air view of an Iowa wheat field, not a close-up of a bedspread, and the "tufts" are shocks of grain. The solid center is the unreaped portion

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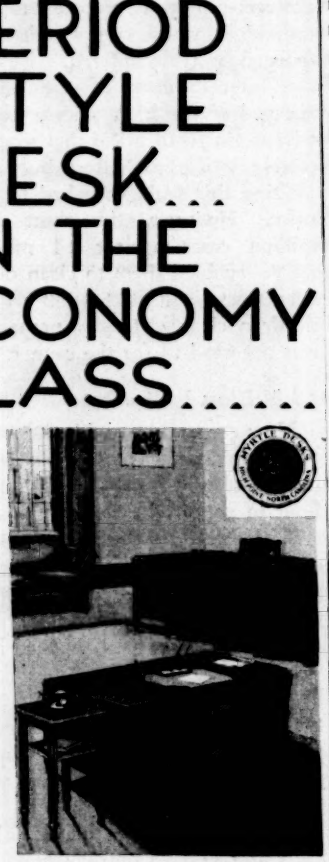

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of Agriculture. A curtailment agreement, limiting the pack to 13 million cases had been subscribed to by canners and growers representing 96% of the probable pack and it was hoped the remaining 4% might be signed up. All No. 1 cling peaches in the state *not under contract* will be purchased on a basis of $20 a ton; for fruit not picked $7 will be deducted. The plan insures a market to every grower for all of his No. 1 peaches. The fund being contributed by canners and growers' organizations for the purpose of purchasing the surplus is $1,750,000 and is a cost against the canner over and above the $20 basis of purchase. The similarity of the proposal to the Farm Board's grape industry program is evident.

While the grape program is encountering numerous difficulties under government supervision, the peach control group with its privately subscribed funds is going ahead buying up the surplus. Of course, the two problems differ in magnitude, in number, and in distribution of the persons involved, and in other ways, but the fundamental problem—the control of an unusable surplus—is the same. Six months from now the results should show whether federal aid has any advantages over industry self-help when it comes to "socking the surplus."

Says Radios Damage Real Estate Values

RADIO is damaging real estate values in Chicago, Frank F. Healey, chief appraiser of real estate for the Foreman-State banks of that city, reports. The noise the radio makes renders improperly insulated buildings obsolete, hard to rent. Effect upon buildings with courts is especially severe.

An experiment now being made at Mr. Healey's instigation is the putting in of an insulating ceiling just under a regular ceiling. It costs 60 cent a foot; few landlords will put in the money.

Country Towns Growing, Check of 5,000 Shows

EARLY census returns indicated that country towns and villages were losing population, probably to the cities (*The Business Week*, July 9). A more careful check discloses that country towns, as a whole, are gaining population. American Press Association made a check of the first 5,000 towns up to 5,000 population reporting and found that 3,395 showed gains over 1920 of 2,145,076; 1,608 towns had lost 1,869,860, making a net gain for the 5,000 towns of 1,861,121.

These changes were well distributed throughout the country; gains were made by towns in every state and at least one town in every state showed a loss. In only two states—Idaho and South Dakota—were losses of the sample towns in excess of gains, and then only 8,739 persons.

Wisconsin Labor Wants State Unemployment Pay

THE general executive board of the Wisconsin Federation of Labor at the 38th annual convention demanded legislation to provide either a job or unemployment pay to all persons who wish to work. Relief provided by public construction and development is negligible, says the board; the state must assume the responsibility of giving its citizens a means of livelihood.

It pointed out that at times as high as 28% of all union labor groups have been unemployed during recent months; that in single industrial groups union unemployment has reached 60%. Besides multitudes of common laborers, the report states that many skilled mechanics whose services are usually in demand have shared with unskilled workers the "bitter necessity of a reduced standard of living."

Former labor proposals for unemployment relief have been defeated in the Wisconsin legislature. Legislative sentiment may be different this year.

American Utility Holdings Abroad Now $1 Billion

INVESTMENTS of American utility concerns in foreign power and light companies now exceed $1 billion. In the first 5 months of 1930, such investments totaled $108 millions as compared with $68 millions for the entire year 1929. In 1928 the total was $248 millions; in 1927, $159 millions; in 1926, $244 millions.

American & Foreign Power Co., subsidiary of Electric Bond & Share, is the largest United States utility organization operating abroad. With assets of $756 millions, it operates in several Latin American and South American countries as well as in Italy, France, Germany, Japan, and Canada. It has also acquired interests in Shanghai.

France Insists She Wants No Gold, But Can't Stop Inflow

MORE gold went to France from this country this week. The total for the movement nears $30 millions. Considerable quantities are being drawn from England also. Effect on the British is more serious than effect here; London has been fighting for months to maintain her gold reserves.

Shipments to Canada from New York also have occurred. They are viewed here as fully justifiable. Canada has been off the gold standard unofficially for months. Restoration of full freedom of gold movements there will be a favorable factor. The tourist traffic is largely responsible for the Canadian dollar's rise to the gold point.

The movement to France is much less welcome. France already has gold reserves far beyond her need, and stands second only to the United States. The fact that gold continues to go to France when it is not needed has given rise to reports of manipulation.

The Paris View

By Special Cable to The Business Week

There is no logical justification for allegations that the conspicuous new gold influx is the result of deliberate policy. With the means of gold utilization restricted and in the presence of excessive supplies tending to promote inflation, the further influx is unwelcome. The imports are explainable as the automatic consequence of appreciation of franc exchange, due to a number of reasons.

Seasonal tourist expenditures of $80 millions are primary. There has been a reduction in the 6 months' adverse trade balance as compared with last year. Progressive reductions of discount rates in other countries result in progressive repatriation of French foreign deposits. Wall Street uncertainties, political uncertainties in Germany and France bring withdrawals of foreign investments. It also is believed that foreign capital is seeking temporary security in France.

The gold influx is the automatic consequence of the current exceptionally favorable balance of payments and probably will continue intermittently until fall, when tourist expenditures cease, imports of raw materials begin, and exports decline. The policy of the Bank of France is passive. Under the statutes, it is unable to check the influx even if desirous of doing so.

The amendment of 1928 annulled the previous authorization to buy foreign exchange against francs, which during the repatriations of French capital following stabilization permitted the amassing of the present $1,000 millions holdings. Treasury holdings account for a further $320 millions, and private holdings are estimated at $240 millions more.

Bank's Limitations

The Bank of France can merely discount foreign bills presented to it. It can mitigate pressure by francs upon a given exchange, say sterling, by selling existing holdings, say dollars, against sterling. But thereby it can merely swing the direction of the gold influx and change but little the net inward volume, while incurring the danger of exchange losses and exposure of charges of discriminations.

The influx is declared unwelcome and the danger of inflation is fully realized. The Bank is therefore doing what it can indirectly to promote counter gold operations, notably by consulting private finance towards stimulation of foreign placements of capital, and also by a revision of operating conditions in the Paris stock market designed to facilitate transactions in foreign securities.

No World Mart Develops

Disregarding the momentary effect of the influx upon prices, it forecasts the entry of France upon a period which sooner or later will show marked upward revisions of general values, necessitated by the original franc stabilization at a subnormal level. The revision will profoundly alter the country's economic position, contract the present abnormally favorable balance of payments whereof the gold influx itself is symptomatic.

While the above more or less official views are possibly advanced for foreign consumption, other observers consulted concur.

Regarding the current allegations that the influx is part of a policy to develop Paris as a world money market, competitor of London and New York, it is pointed out that though the gold affords a basis for credit this is unusable without financial machinery now wholly lacking except in the acceptance bank founded last fall. Its operations are now around $20 millions, but of merely local importance.

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Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

JULY has brought no recovery to business in Europe. Rather, business has lost ground virtually everywhere according to month-end reports. Hopes were beginning to be expressed that depression had reached the bottom, but continued summer weakness in commodity prices has disappointed the belief that the worst is past. Reports of incipient improvement in the United States are eagerly noted, since the opinion is widely held that the United States must lead in any recovery.

Local problems absorb the introspective attention of individual countries. England is approaching the time to decide either to continue or to abandon the traditional policy of free trade. Germany is wrestling with fiscal problems and price-wage ratios. France now is beginning to experience disturbances in the price structure. First crop reports from nearly all countries indicate no more than average totals. In France and Italy, crops are not expected to be even average.

Eastern European countries are continuing negotiations towards the formation of an agricultural entente.

Representative nitrogen producers, after holding prolonged sessions in Paris, are reported to have reached an agreement on production quotas which is not unlike the arrangement in the steel cartel. German, British, Belgian, Italian, Polish and Czech manufacturers were represented.

Earliest reports received indicate that Germany and Great Britain, as the largest exporting countries, would reduce their output, while France is left free to develop French production of nitrogen to the full limit of internal consumption.

A significant development of the conference is the creation of a joint fund which will be established among the participants. Payments will be furnished on a percentage assessment on production. It is intended that this fund will compensate and equalize the inability of any producing nation fully to meet production quotas. If it is possible to inaugurate the scheme, it is expected that some agreement will be reached with the Chilean natural nitrate industry. Delegates from Chile are already in Europe.

Business conditions are universally featureless.

By Special Cable to The Business Week

Great Britain—General business is flat, with no demand and no confidence. Unemployment is increasing in the major industries. Commodity prices are falling. The slight improvement in cotton continues. Engineering in general is down but locomotive builders are holding their ground. The Horden collieries, employing 2000 men, have closed. June exports to the United States were 20% below June last year.

Home railroads show decreased traffic for the first half year. All were able to maintain interim dividends, but the London, Midland & Scottish is paying a low record dividend of 1%, compared with 2% last year. A wagecut war with the unions is anticipated.

The City is attaching considerable significance to the offer by the Royal Bank of Scotland to buy the Williams Deacons Bank of Lancashire. Readiness of the cautious Scots to back Lancashire's future was unexpected, but not unwelcome. A government mission, which includes a representation from the cotton manufacturers financed by Lancashire interests, will leave in mid-September for a survey of business in the Far East. The rayon industry is disturbed over the price cut by American Viscose (*The Business Week*, July 30) and the proposed increases in the Spanish tariff. British production at the end of June was 24.2 million pounds in comparison with 26 millions in 1929, and 27.1 in 1928. At least 30% of this decrease is due to the decline in exports of yarns and fabrics.

The United Dominions Trust announces that instalment paper bad debts are still under one-tenth of 1% with no great increase in repossessions despite the business slump, but complains that British manufacturers are slow to realize the soundness and advantage of long credit sales.

By Special Cable to The Business Week

France — Economic conditions — especially the price structure—are becoming more unsettled and disjointed. Though general wholesale prices are following the world downward trend, agricultural prices advanced sharply behind recent increased tariff protection; and foodstuff prices, general retail values, and living costs are rising. The first attempt to enforce the new social insurance law whereby employers and employees each contribute 4% of wages has provoked strikes in the textile and metallurgical centers of Lille, Roubaix, and Tourcoing. Some 50,000 workers are involved and refuse to pay the premium without salary increases. The strikes so far are sporadic and lack determination. It is confidently expected that local labor opposition will be gradually overcome and the law enforced. The net result, however, is likely to shift costs to the consumer.

Skyrocketing wheat prices center business interest. With wheat selling at $7 a hectoliter this week, it stands 45% above the price in May. This sudden reversal in the world trend is due to the progressive increases in wheat duties in recent months and to the reduction in stocks through exceptional exports. To this is added the prospect of a subnormal new crop of inferior quality. Momentarily, the

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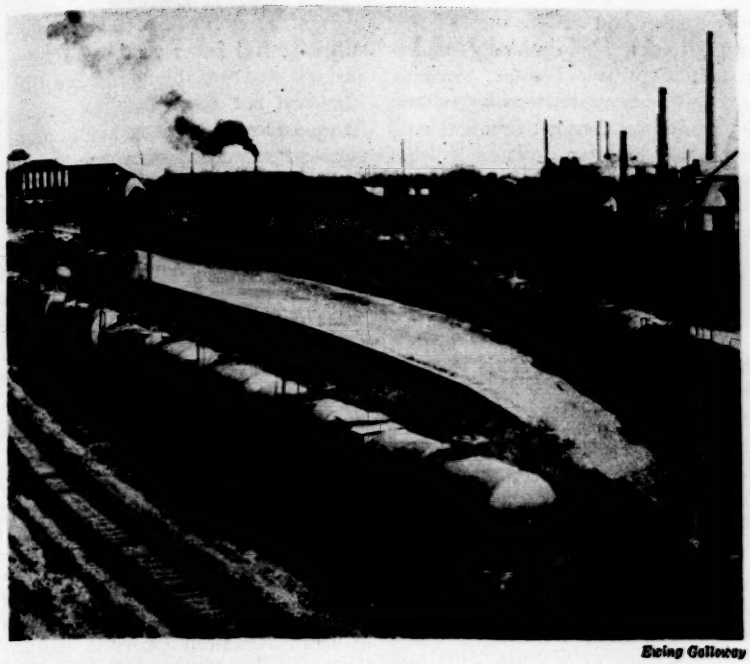

Ewing Galloway

STANDARD OIL IN ROUMANIA

Supplementing two long pipe lines to Constanza, the Romano-Americana Company, subsidiary of Standard Oil, ships crude oil in tank cars to central Europe as well as to refineries in Black Sea ports. Only cereals are a more valuable export item than oil in Roumania

eagerness of mills to secure spot stocks of dry grain is meeting with the speculative hoarding by sellers. The government already has increased the permissible admixture of foreign grains with local flours from 3% to 10%, and a subsequent reduction in duty is not improbable in order to check rising bread prices. Labor, already aggravated, points out that bread prices have risen 20% in recent weeks.

The price disturbance apparently has not yet affected general industrial activity. The metallurgical industries, particularly, continue at a surprisingly high rate of activity compared with the widespread contraction in most European countries.

The week's gold influx of $26 millions raises the reserve to $128 millions. Currency circulation is approaching $3 billions. The influx is expected to continue till the end of the tourist season and abnormal expenditures, and until autumn imports of raw materials and foodstuffs reduce the present exceptionally favorable balance of payments.

By Special Cable to The Business Week

Italy—Ansaldo is reported to have approached General Motors with the suggestion that the new and never opened Ansaldo factory at Ostia near Rome be used by the two companies for the joint manufacture of completed automobiles. The plant was originally built for the construction of agricultural machinery. Ford is the only American automobile manufacturer to have completed arrangements with an Italian company to manufacture in Italy and so escape the prohibitive duties.

The trend on the Italian stock exchange has followed that of other European countries. Depression continues, and general lack of confidence. Unemployment, which now amounts to about two-thirds of the maximum of the last 10 years, is being temporarily absorbed in the disaster area around Naples. The government has voted $5 millions for reconstruction and relief. Estimates continue to show a subnormal wheat crop.

By Special Cable to The Business Week

Germany—As anticipated in last week's report, former Finance Minister Dietrich's federal tax program was instituted by presidential decree after having been nullified by the Reichstag vote just before dissolution. Government estimates of the deficit for the current fiscal year run as high as $180 millions, of which $64 millions are covered by the increase in the contributions to unemployment from 3.5% to 4.5%, $31 millions by curtailment of expenditure, and $85 millions by new taxes.

There are important changes in the tax laws now in effect when compared with proposals in earlier decrees. Revenue for local finances particularly is affected. Where the original poll tax provided a uniform per capita rate of $1.50 a year, the present law provides a graduated rate in accordance with income and ranging from a minimum of $1.50 to a maximum of $125. The former municipal beverage tax, which was limited to beer, has been extended to all other beverages except milk. The communes are obliged to introduce these new taxes whenever, after August 1, they increase local real estate or business taxes. The purpose behind the move is to prevent overtaxation of capital. Business, notably in the communes, is controlled by a Socialist majority.

Further important features of the new decree are the stipulations aiming at reduction of expenses on services for unemployment and sickness insurance. Finally the decree establishes a limitation of future federal subsidies towards unemployment insurance in case the present financial measures prove inadequate in consequence of deepening depression and still higher unemployment. Only one-half the eventual deficit is coverable by federal subsidy instead of the entire deficit as heretofore. The balance will be settled by an increase in contributions or by more stringent economies and in reduction of services.

The presidential decree also promulgates a budget for the current fiscal year as it was approved in the committee stage by the Reichstag. This budget provides for the expenditure of $30 millions for the much discussed farm relief for eastern Germany. Technically the new decree provides cover for the most urgent requirements of the federal treasury for the next few months (elections come in September). However, it is possible that the effect of unabated depression on the number of unemployed and the current revenue will continue to upset both federal and local finance.

Following a period of prolonged stagnation, the Berlin stock exchange experienced last week a panicky break reflecting the general uneasiness over probable political and economic developments in the next few months. Within the week, the stock index declined from 102.17 on July 18 to 97.2 on July 25, the index being computed on the basis of 1926. The new decline occurred despite the exceptionally easy

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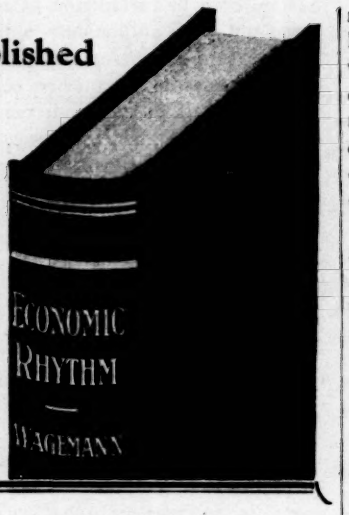

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money market and despite the fact that leading stocks are decidedly undervaluated at present listings. Striking example is Farbenindustrie—largest and most prosperous German chemical concern—which recently declared a 14% dividend and a bonus, and which is quoted now at 150.

To complete this picture of gloom, a new crisis in overproduction is in sight, this time of hogs. Figures of the livestock census as of June 2 show a total of 19.8 million hogs compared with 16.8 one year ago. This strongly forecasts a heavy fall in prices before winter.

Only bright spot in the universal gloom is the young German sound film industry which is showing a great deal of self confidence and optimism in its own future development. No doubt a part of this feeling is provoked by the new import regulations which gives handsome protection to home production. UFA, biggest German film-producing and theater-owning concern, announced its decision to drop production of silent films and will concentrate exclusively on talkies. UFA already has invested $5 millions in sound film developments since the beginning of the year, including equipment for studios, wiring of theaters and production of talkies.

By Special Cable to The Business Week

Belgium—The industrial situation is unimproved. Coal stocks are still increasing despite the brief strike involving 10,000 miners. Prices are weak. The export of household grades to France and Switzerland continues in fair volume, but industrial grades are moving slowly. The metallurgical situation is confused due to the uncertainty of the cartel outlook. Manufacturers of window glass are perturbed by the report that one of the largest Fourcault producers has withdrawn from the proposed Fourcault combine (*The Business Week*, July 2).

Zinc producers have succeeded in reaching an agreement in their latest attempt to organize. The resulting agreement binds all producers in Europe, Australia, Canada and Mexico except one French plant which is expected to join the cartel later. Operation under the plan will begin January 1, and the initial step is expected to be a 30% cut in output.

Retail trade is unsatisfactory. Automobile sales for June and July suffered the first setback this year, and all luxury products report business prospects before September are bad. Money is still plentiful but several large failures are reported, notably one large Ghent flax firm for more than $2 millions. Banque Dreze of Dison has suspended payments, because of a run, but the situation is reported sound. Withdrawals were probably due to the similarity in names with the Dreze Wool Spinning firm whose financial difficulties of late have received widespread publicity.

Belgium is suffering from the psychological reaction to the present business crisis but the banks are trying to encourage optimism and to interest clients in the stock market for investments at sound values. Unfortunately the public is not responding.

LATIN AMERICA

Except for the settlement of the Mexican debt question, there is nothing in Latin American cables to stimulate business optimism. Chile continues active. Business is moving in Argentina, but exports continue to sag at abysmal lows and buying power is curtailed. Announcement from Sao Paulo that the Corn Products Refining Company this week opened its new plant is interpreted by traders to mean that Brazil is taking seriously the advice to diversify. The new factory is equipped to handle 2000 bushels of corn a day.

The Mexican government has granted permission to the British Eagle Oil Company to construct a 140-mile oil pipe line from Vera Cruz to Mexico City.

While the Paris nitrate conference continues without effective agreement, Spain is reported to have signed an agreement with the Chile Nitrate Producers Association under which price and supply of nitrate sold to Spain will be regulated.

Mexico—After five weeks of negotiations, Mexico's finance minister and the Committee of International Bankers have reached an agreement for the settlement of the $500 million debt of the Mexican government and the Mexican National Railways. The settlement is based on the principle of capacity to pay. It provides for the refunding of virtually the entire principal of the debts with a drastic reduction of the amounts due for accrued arrears of interest.

An international bond issue is expected soon, after which business looks for a pickup in Mexican trade and financial stability.

What the Figures Show

BUSINESS activity during the last half of July continues at a somewhat more rapid rate the decline in evidence since the beginning of the month. The end of July will probably mark the lowest level so far reached in the current depression, as in 1929 it marked the peak of the boom. Building contracting has begun to fall off more rapidly than is usual at this season, but basic industrial activity has apparently reached its low point for the year and is resisting further recession. General trade, though still on a relatively higher level than productive activity, shows signs of sagging which will probably continue for a while after industrial operations turn upward. Commodity prices still drift downward, but the rate of decline is slackening. Expansion of bank credit is not continuing at the rate necessary to overcome further price deflation and business stagnation.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
	*91.1	‡94.4	114.6
Production			
Steel Mill Operation (% capacity)	58	58	96
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$15,771	$20,779	$23,985
Bituminous Coal (daily average, 1,000 tons)	*1,320	1,310	1,554
Petroleum (daily average, 1,000 bbls.)	2,489	2,500	2,897
Total Electric Power (millions kw.-hr.)	1,850	1,790	1,855
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	155	153	180
Check Payments (outside N. Y. City, millions)	$5,045	$5,562	$6,289
Money in Circulation (daily average, millions)	$4,436	$4,470	$4,734
Wheat Receipts (1,000 bushels)	23,568	18,297	18,199
Cotton Receipts (1,000 bales)	19	20	60
Cattle Receipts (1,000 head)	*145	‡199	187
Hog Receipts (1,000 head)	*431	‡493	473
Wool Receipts (1,000 lbs.)	23,782	14,066	14,055
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .81	$ .79	$1.29
Cotton (middling, New York, lb.)	$ .129	$ .133	$ .188
Iron and Steel (composite, ton)	$33.09	$33.14	$36.68
Copper (electrolytic, lb.)	$ .108	$ .110	$ .178
All Commodities (Fisher's Index, 1926–100)	83.3	83.4	99.2
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$16,852	$16,906	$16,970
Commercial Loans, Federal Reserve member banks (millions)	$8,454	$8,482	$9,287
Brokers' Loans, New York Federal Reserve member banks (millions)	$3,228	$3,226	$5,960
Federal Reserve System Ratio	83.5	83.2	74.4
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	10,380	14,534	19,637
Stock Prices (N. Y. Times, average 50 stocks)	$201.10	$201.45	$280.72
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$39,563	$42,269	$70,558
Bond Prices (Dow, Jones, average 40 bonds)	$95.74	$95.56	$93.21
Interest Rates—Call Loans (daily average)	2.0%	2.2%	7.6%
Interest Rates—Time Loans (daily average)	2½–3%	2½–3%	8–8½%
Business Failures (Dun, number)	510	452	400

*Preliminary ‡Revised

Business Activity Index

The Business Week's preliminary index of the volume of general business activity for the week ended July 26 dropped further, as expected, to 91.1% of normal compared with the revised figure of 94.4% for the preceding week. In the corresponding week last year it stood at 114.6% of normal, the peak for the year. The decline last week reflects chiefly a marked drop in the level of building contracts after the influence of the high figures at the end of June upon our index has been left behind. Apart from building, the production group in our index showed a slight increase because of a rise in electric power production. The drop in building, however, brought the production and construction group in our index down sharply from 96.7% of normal to 87.3%. The group of trade indicators together rose somewhat from 92.4% of normal to 94.1%. The trade indicators have thus recovered their relatively higher level in comparison with production which has been characteristic of the period since the beginning of year with the exception of the four past weeks.

Steel Steady

Steel activity remains steady for the week at an average of nearly 58% of capacity. Our index of steel production remained unchanged at 84.1% of normal. For the present, at least, further decline appears to have been checked and the trend closely resembles that during 1928. Although the Steel Corporation in its quarterly statement forecasts steady improvement during this quarter, trade opinion is cloudy on the question of how soon a definite upward movement will be evident. Steel demand continues to be supported mainly by pipe line construction activity, structural steel work, and ship building. Tin plate manufacture continues at a fair level. Prospects of pick-up in automotive demand are being somewhat deferred, although Ford is planning to resume operations August 4 at a somewhat higher rate than originally announced. Improvement in railroad demand is noted. Structural steel awards and inquiries still run somewhat above the average for the year. Scattered price declines continue, but the scrap market is fairly steady.

Building contract awards are declining steadily, following the seasonal movement. The four weeks daily average is now lowest since the second week of March. Our index of building construction, adjusted for seasonal fluctuations and year to year growth, dropped from 104.5% of normal to 81.7%, about the same level as prevailed before the sharp rise at the end of June.

Heavy construction contract awards,

according to *Engineering News-Record* figures, rose for the week ended July 30, but still remain below last year's level.

Coal and Petroleum

Bituminous coal production showed a slight increase for the latest week, in accord with the usual seasonal rise which appears at this time, but the rise has so far been less than seasonal and the level continues far below that of the past two years. Our index of coal production, adjusted for seasonal fluctuations and year to year growth, remained unchanged at 68.1% of normal.

The rate of petroleum production continued to fall as it has since the end of June, contrary to the usual seasonal movement.

Following the slump at the end of June and the beginning of July, electric power production has increased sharply and for the latest week was only 0.3% below the 1929 level. This marked recovery in contrast to the usual seasonal movement has caused our index of electric power production to rise sharply from 101.8% of normal to 104.1%. This index is adjusted for seasonal fluctuations, Sundays and holidays, and year to year growth.

Commodity Prices

The commodity price movement is still downward, but the rate of decline this week is notably smaller than in the past few weeks. The cash wheat average at Kansas City for last week was slightly stronger, but in the current week wheat prices have declined rapidly and July options at Chicago reached the lowest so far this season and the lowest since July, 1914. Cotton prices have also weakened steadily despite drought conditions, and toward the end of the current week reached new low levels for the season. New lows were touched also by sugar and rubber. Zinc was stronger and tin and lead steady. Speculative trading has become active in the copper market, with prices fairly steady between 10 and 11 cents.

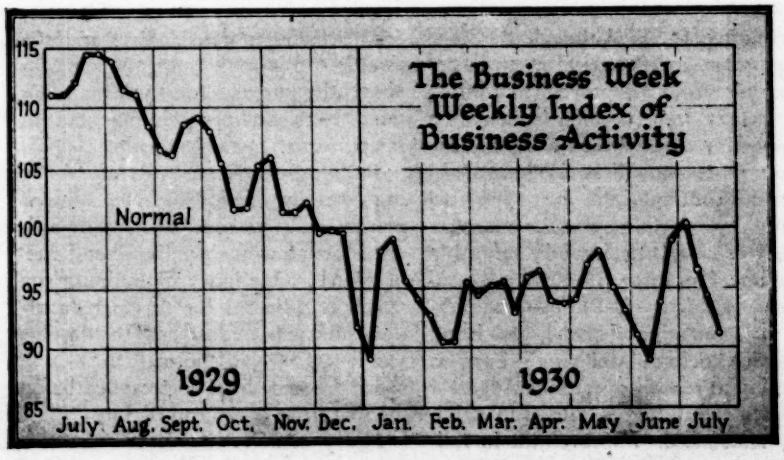
The Fisher all commodity index and the National Fertilizer Association's index declined slightly for the week. Our index of a selected list of important commodities showed an irregular downward movement for the week ended July 31.

General Trade Indicators

The general trade indicators show slight improvement. Total car loadings increased slightly for the week in response to the usual seasonal rise in grain and coal movement, but continued about 14% below last year and 10% below 1928. The increase for the week was chiefly in grain and grain products, coal and forest products, but there was some improvement in merchandise and miscellaneous freight. The latter group was 13.3% below 1929 and 11% below 1928, a slightly smaller deficit than the record one for the year shown in the preceding week. Our index of this group, adjusted for seasonal fluctuations and year to year growth, rose from 84.4% of normal to 85.3%, indicating that the rise for the latest week was somewhat above the usual seasonal increase.

Check payments outside of New York declined about 9% for the week in accordance with their regular zig-zag movement. The decline was less than the increase during the preceding week, so that our index, based on two weeks average and adjusted for seasonal fluctuations, year to year growth and changes in the general price level, rose from 94% of normal to 97.2%. Bank debits outside New York remained nearly 20% below last year—the largest deficit so far—but only 1.3% below 1928. In the 131 cities outside financial centers the deficit as compared with the last year was 18.7% for the latest week, the largest so far.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.



Commercial Loans

The amount of commercial loans outstanding showed further decline for the week, but our index, adjusted for seasonal fluctuations, year to year growth, and commodity price changes, remained unchanged at 104.9% of normal. The decline in the amount of commercial loans since the end of June is somewhat, but not markedly, in contrast to the usual seasonal movement which does not become strongly upward until August.

The average amount of currency in circulation declined for the week and our index fell from 99.1% of normal to 98.3%. This may be considered a strong indication of slackness in retail trade.

The number of commercial failures rose sharply for the week and reached above the 500 mark for the first time in several months, in contrast to the usual seasonal movement.

Our index of total loans and investments of weekly reporting member banks, adjusted for seasonal fluctuations, normal growth and changes in the general price level, remained unchanged for the latest week at 4.2% above normal. Though this is the highest so far this year, the absence of further increase in our index points to a slackening in the rate of bank credit expansion.

Money and the Market

Stock prices this week made little net change from last week. Various "averages" touched a new high point since the May-June decline, then a technical readjustment occurred. Stocks meet stubborn resistance from profit-taking in going upward. Penetration into new high ground therefore was a bullish sign. And resistance against declines of any size are even more stubborn.

Viewing the period since the May-June decline, stocks have given a good account of themselves. Prices have registered a net gain of 15 points since the low on that recession. They have pointed back upward in the additional day which is not recorded on the chart on this page.

This advance has occurred during a period when brokers' loans have declined by $188 millions. The added strength of the market's present position is attested emphatically by this showing that the advance has been on purchases by strong, cash buyers, not margin players.

Sentiment Improving

The advance has generated a considerably better sentiment in New York's financial community, contrasting sharply with the deep gloom of a few weeks ago. This has occurred almost simultaneously with evidences of improved feeling in other parts of the country. The sentiment also is much better toward business conditions and the business outlook. Views advanced by *The Business Week* are widely shared.

Much of the rise in stock prices results from powerful pool operation on the upside, plus covering by the unusually large short interest which existed in stocks only a few weeks ago. The pool operation is of strong character and backing, basing its actions on belief in an imminent recovery in business and wishing to help that recovery along by better sentiment. If this premise proves correct the operation also will have been profitable, for definite signs of business improvement that can be recorded statistically will send stocks ahead with less irregularity.

The sharp slump in May and June reflected the very unfavorable statistical reports now at hand, and those which will shortly be published as a result of July operations. The present upturn is predicated upon the strong belief of better conditions this fall. Most probably the same irregularity that has prevailed in the past five weeks will continue in the market until this upturn can be recorded statistically.

Stock prices are now moving almost exactly at the same net rate as at this time last year. The rate of improvement prevalent in recent weeks may not be sustained. Any sizeable recession appears most unlikely, on the other hand, unless and until expectation of the fall improvement is proved unjustified.

A strong bond market which has carried prices upward since June 30 adds optimism. Bond prices now average within about half a point of the high point reached on the short lived rally in March when the best levels of the year were reached.

Corporation reports for the second quarter and first half of 1930 have appeared during this time. A surface reading of these is gloomy, but a summary is much less so. A *Standard Statistics* compilation of 134 representative concerns shows that for the first 6 months of this year 54 of them had better earnings than for the first six months of 1929. The net total, however, showed a decrease of 21.9% in comparison. Against the first half of 1928, though, the decline was but 5%. And 1928 was a good year.

The progress which stocks and bonds have made these last five weeks has been entirely without the aid of the Federal Reserve system. The strength of the financial community's better feeling is attested by this. The system, though, might well help instead of work adversely on the bond market.

This week's Reserve figures show a slight rise in rediscounts, more than offset by a decline in acceptance holdings. The government security portfolio remained stationary and the total volume of Federal Reserve credit declined for the fifth consecutive week to reach the lowest level of the year. For a fuller discussion see page 10.

Foreign exchanges continued strong this week. The franc holds steady at the gold export point and sterling rises. The German mark continued the upward movement of the last four weeks. All of Europe is fighting France's gold acquisition (page 29). Germany is selling foreign exchange to prevent gold losses she cannot stand; Amsterdam is doing the same. There is even consideration of a rise in the Bank of England's rate to protect her dwindling gold, but her depressed business and industry could ill stand such a move. Many hope the World Bank may be able to step in.

The financial figures of this week simply continue the trend as outlined in this page. Brokers' loans increased merely $2 millions. Money rates were almost stationary at the low levels which are working strongly for better business and the strength in the bond market.

Steel Companies Report

The report of the United States Steel Corporation was the feature of the week. Earnings for the second quarter of the year were reported to be $47 millions compared with $49 millions the first quarter and $73 millions the second quarter of last year.

The finance committee issued a statement simultaneously predicting an upturn for the rest of the year from the present operating activity of 63%.

Bethlehem did not do so well as "X," however. Earnings were $7 millions against $11 millions the first quarter. President Grace stated that he believed the worst has been seen.

Raw Weekly Figures Need Careful Adjustment for Index

Most Difficult Is Computation of Value Of Dollar at Different Periods

EACH of the components of *The Business Week's* weekly index of business activity—steel ingot production, bituminous coal production, electric power production, building contracts awarded, merchandise and miscellaneous carloadings, checks cashed outside New York, currency in circulation, and commercial loans of weekly reporting Federal Reserve member banks—is a measure or indicator of a certain part of the country's business.

These are practically all—and certainly the most important—of such measures available weekly. They do not, of course, cover all the vast total of American business, but when properly treated and combined into a single index, they represent as accurate a weekly measure of business activity in general as is possible with the information we now have.

How valuable and accurate such a measure is, within the field it covers, depends upon how successfully its elements are treated so as to reveal their hidden significance, and how judiciously they are combined.

Reduced to Daily Averages

The first problem, therefore, in constructing an index of business activity is to treat the raw figures of each component of the index so that they may be fairly compared as between different periods.

In making *The Business Week's* index, the first step is to allow for differences in the length of the business or working week by reducing the figures to daily averages for each week. This is done by allowing for such holidays or such proportion of full days as the prevailing experience has shown applies to the different aspects of business represented by each component.

In the case of currency in circulation, the figures provided by the Federal Reserve Board are now in the form of daily averages, and the figures of commercial loans outstanding are those as of a certain day in the week, so that no adjustment is necessary in these figures.

In the case of bank debits, as mentioned in a preceding article, the figures show a fairly regular fluctuation, down one week and up next, reflecting the cashing of pay checks twice a month. The effect of this regular fluctuation upon the figures is offset by using each week the average of the current and preceding weeks, after allowing for holidays. In addition to those fluctuations and the regular seasonal variations, the bank debits figures are regularly affected by increases in the volume of dividends, interest, and other periodic transactions at the beginning and the middle of the year and on quarterly income tax dates. On the basis of past experience some allowance can be made for this factor.

"Average of Averages"

In the case of building contracts awarded, the fluctuations from week to week are so wide and apparently erratic that they would conceal the general trend. This difficulty is somewhat overcome by using for each week the average of the daily averages of the latest and the three preceding weeks to indicate the current level of building contracting.

The most difficult problem in treating the figures, after these mechanical adjustments are made, is that of allowing for changes in the value of the dollar where the figures are given in dollars, as in the case of building contracts, check payments, currency in circulation and commercial loans. It is necessary to do this in order that the influence of changes in prices and costs may be allowed for and a comparison made between the actual volume of business activity which the dollar figures represent.

In the case of building contracts, the amount of building activity represented by the dollar value of contracts awarded depends upon how much on the average a dollar spent for building will buy, that is, on building costs. The value of contracts is, therefore, translated into a figure representing volume of building by using an index of construction costs compiled by the *Engineering News-Record*.

In the case of check payments, which are used in 90% of all business transactions, the dollar figures are made comparable from period to period by applying Carl Snyder's index of the general price level, which reflects the value of the dollar for a wide variety of uses—wholesale and retail trade, wage payments, security transactions, purchases and sales of machinery, etc. Although there is a large element of doubt involved, this method is the only possible one by which the volume of business represented by check transactions can be roughly compared from time to time.

In the case of commercial loans, the bulk of which are made for purchase or sale of commodities at wholesale, Fisher's weekly index of wholesale commodity prices is used in order to compare the volume of wholesale transactions represented by the dollar value of commercial loans outstanding from time to time.

Currency in circulation is used chiefly for payment of current living expenses of the mass of wage earners, and the value of the dollar for these purposes is determined by retail prices. Accordingly the volume of transactions represented by the amount of currency in circulation in dollars is estimated by applying an index of cost of living to these dollar figures.

Best Methods Possible

These are the best and the most logical methods possible with our present knowledge for making the weekly figures given in dollars comparable from time to time in view of the changes of the value of the dollar. Although they are rough and subject to much doubt, the only alternative would be to exclude from a measure of business activity all figures given in dollar values. This would leave only the very few weekly figures of physical production and carloadings. As has been indicated, this would hardly be an accurate measure of general business activity, important parts of which are reflected in building contracts, check transactions, currency in circulation and commercial loans.

When the figures for each component of the index have been treated in these ways so that one week is comparable with another, except for the usual seasonal differences between different parts of the year, allowance must then be made for these usual seasonal fluctuations. Such allowance is usually made only between different months of the year, and how this problem is dealt with in a weekly index will be discussed in a later article.

Study of Business by Regions Shows North Ahead of South

Retail Trade Off in June as Against May, But Ahead of First Quarter Figures

THE vacillations of *The Business Week's* thermometer tell conditions for the country as a whole, but do not give an idea of the variations from district to district. Complete statistical reports now available show details of business conditions in June, by Federal Reserve districts.

In the monthly table below the story is given in summary. Comparisons in this table are with the preceding month in every case unless otherwise noted. No adjustments are made to care for seasonal or other fluctuations, all comparisons being direct.

Examination of the table shows many more signs of betterment in the Northern part of the country than in the South. The Northern districts, though uneven, look considerably better than those on the lower part of the map.

Every district suffered a drop of considerable proportions in retail trade, as indicated by department store figures. The volume of such trade in nearly every district, however, remains considerably better than during the first quarter of the year. In some cases the June figures were best of any, except the Easter month.

Industrial Districts More Active

Commercial demand for money became evident in the northeastern part of the country in June, and commercial loans by banks increased in the Boston, New York, and Philadelphia districts. Liquidation continued in all other regions. The evidence of greater activity comes almost entirely from districts nearly completely industrial.

Time deposits piled up, reflecting continued slowness in business. Declines in time deposits appeared only in St. Louis and San Francisco; this may mean that the funds are being put to work, but it isn't complete evidence. Kansas City recorded the largest increase.

While check payments were less than 1% ahead for the country, there were decided increases in some regions. Cleveland was 6% ahead, Philadelphia 5%, Boston and Chicago 3%. June was a month of declining securities markets, so the check index can not be discounted for that reason. It serves as further evidence of strength of business in industrial, urban regions.

Building contracts let were the brightest of all spots in the June picture, for the districts just as for the nation as a whole. June contracts in three districts were more than double those of May. In six districts, June contracts exceeded those for June 1929. Kansas City, Philadelphia, and St. Louis recorded the largest increases from the preceding month. Work from these contracts will help business for several months to come.

The steady increase of savings in all districts for which figures are available provides an encouraging sign for both the present and the future. The additional funds made available for investment are a good omen; the fact that a margin of saving exists in the districts where figures are available is a reason for less pessimism.

Survey of June Business by Federal Reserve Districts

Federal Reserve Districts	*General Business*	*Commercial Loans*	*Time Deposits*	*Check Payments*	*Department Store Trade*	*Building Contracts*	*Commercial Failures*	*Savings Deposits*	*Life Insurance Sales*	*Rates on Prime Commercial Loans*
BOSTON	A little better	Slight increase	3% larger, above 1929	Up 3%	13% decrease	Total same, above 1929	57% less, above 1929		Greater by 8%	Decline
NEW YORK	No change	A little larger	Up 2-3%	Fractional Increase	Off 9%	Residential and total decline	Fewer, but more valuable	Increase of 1.2%	10% less	Easier on all classes
PHILADELPHIA	Marked improvement	2% increase; above 1929	2% larger; above 1929	Up, largest since March	Sharp decline	Total, home, large increase	Larger but fewer		Slightly more	Fractional decrease
CLEVELAND	Not much change	Decline 2%	Fractionally larger	6% growth to year's high	Large drop	Considerable decline	Fewer and larger	½% increase	Practically no change	Very slightly easier
RICHMOND	Slower	Drop 1%	Increase to year's high	Down 4%	Off 11%	Total, home up, above 1929	More, but less valuable		Slight decline	Little change
ATLANTA	Less active	Lower	Up and above 1929	9% off to year's low	Largest decline of any district	Decline of 30%	Value and number up		Smaller by 12%	Slight change
CHICAGO	Slight improvement	Very slightly smaller	Increase	Largest figure for year	Decline	Total up 27%; home down	Slightly fewer and smaller	1% greater	A little less	A little easier
ST. LOUIS	A little better	Fractional decline	2% less	A little less	Off 13%	122% up; above 1929	Large decline		Smaller	Easier by nearly 1%
MINNEAPOLIS	Some improvement	Slightly less	No change	Larger	Large decrease	Increase 34%, above 1929	Serious increase	Larger	Decline of 6%	Down ½% to 2 yr. low
KANSAS CITY	Better	No change	Increase above 1929	Slightly greater	Down 13%	Large increase, far above 1929	More, but less valuable	Growth of 1%	Decrease	Unchanged
DALLAS	Not much change	2% less	2% more, above 1929	Drop of 4%	Drop 16%	Large increase, above 1929	Very serious increase	½% larger	Smaller	No change, 6% prevails
SAN FRANCISCO	Little change	Slightly smaller	Smaller, but above 1929	Decrease of 2%	Decrease		Increase of 19%	2% growth	Very slightly smaller	Unchanged
UNITED STATES	Some improvement	½% larger	Growth of 1.4%	Nearly 1% increase	Considerably smaller	Increase of 31%	13½% growth	Larger	Down 4%	A little easier

The Business Week summary from original material: Federal Reserve system statistics for department store sales, check payments, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau

The Dublin Letters

To Mr. George Clark, Treasurer and General Manager of the Dublin Advertising Agency, Following a Hunch

Pinehurst,
January, 1928

Dear George:

I woke up this morning with something telegraphing me from the subconscious. It was a vague message of uneasiness about Phil Bailey. I've been here two weeks now and haven't heard a word from him. In the past when I took a trip of any duration Phil used to send me frequent "Dear Chief" scribbles reporting all the odds and ends of gossip, business going fine, new account in sight, customers said this or that, and other miscellany. Rather nice and thoughtful.

So far there hasn't been one single "Dear Chief" this trip.

Ever since that talk-battle I had with Phil last September he has shrouded himself in a very distant and solitary mood. That one crack of Phil's: "Well, maybe I'll have to start my own agency." I reported it to you at the time, if I remember. I haven't felt sure yet whether it was prima donna temper or business poker. Phil flung it out and let it lay. I didn't offer to pick it up. He has never mentioned it again. It floats around in the air like a phantom question mark.

Last night I got wondering. During the night I suppose the assorted thoughts gathered in a lump and now I have a hunch.

Please send me *immediately* Phil's expense account for the past three months *itemized* as completely as possible. I am not so interested in totals as *items*. Gimme *items*.

Shot an 81 yesterday. Ball out of bounds and a missed short putt spoiled a 79. Well, into each life a little rain must fall. *And does.* Jim.

To Mr. Archie Bellamy re Derby Thomas and Copy

Pinehurst,
January, 1928

Dear Archie:

"Now is the time for all good men to come to the aid of the party." For the past two days I have been sitting down here holding a problem in my lap.

Derby Thomas has written some copy.

Offhand that sounds like familiar phenomena. We are an advertising agency. Copy is in the air, like germs. Anybody is liable to catch one and break out into a copy-rash—even stenographers.

But Derby's case is different and more puzzling. He showed none of the usual pindling symptoms of a cub afflicted with copy-sickness. On the contrary, Derby has passed us a question which takes root in the exuberant brutality of his swelling good health.

Pictorially the only thing I can compare it to is a man drilling an oil well. Apparently Derby drilled down to the point where he cracked open something—and when she spouted the landscape was just plastered with verbal gas, mud, and rocks.

I have faithfully read the whole 26 pieces of copy enclosed. After pausing to get my wind I couldn't think of anything brighter than to freight the specimens to you, with this moo for help.

I know I am called upon here to make a few leading remarks by way of a contribution. But it is very difficult to criticize Nature in the raw. You have to get a faint idea of what she's driving at first. This stuff is just primeval propagation.

It has all the earmarks of that natural spontaneity which manifests itself by beginning Nowhere and ending No Place—with a thick, rank, matted undergrowth in between. It is anti-form, anti-structure, anti-everything which would indicate a conscious shaping of the material.

Obviously it never occurred to Derby that this naturalistic method might annoy and confuse the reading public who are the customers. Folks would think they were in on a series of conundrums and look to see what prizes were given away for the winners of the contest. Yet, every so often I'd run into a word or a phrase which pulled me up on the bit. Otherwise I wouldn't saddle you with this material and its rough-riding author.

I have tried to crawl inside of Derb's mind and see if I could find out something while the riot was going on. I think I have a clew. I think unconsciously he was anxious to avoid the collegiate stamp on his work. He said to himself: "Nobody is going to tell me I'm too academic for common commercial use—dammit!" So he bites off half a plug of terbacker, spits on his hands, and goes to work humming that old song: "I'm a hifalutin,' shootin' son-of-a-gun from Arizona—ragtime cow-boy Joe."

Nevertheless, I think I detect something in Derb's stuff even in its savage state, and his crude vitality as an expresser may become a great asset to himself and the agency, both. Vitality is not so common among our commercial pen men. Style, finish, cleverness—yes. But vitality—no. I hope you will not think my judgment is smeared with the glucose of family sentiment.

I don't think it would be wise to take Derby away from Ben Frost just now and transfer him to the Copy Department.

At the same time I'd like to have Derb benefit by some of your instruction. But not too much, either. Can't we evolve some judicious little plan whereby Derb can go on just as he is and at the same time drift the notion over to him that writing copy is not patterned after a sketch of two Wops running a concrete-mixer?

My preference would be not to feed him too much schooling at a time. If he gets too excited about the *modus operandi*, within a couple of months he'll be all bound round with the woolen string of *technique*. My experience has been that writers learn forms and structures with comparative ease. But when it comes to the *substance* and the *spirit* of a thing there's where originality shows—there's where greatness is either won or lost.

Something in Derb Thomas is *alive*. If the live quality can be *kept* alive in the process of putting it up in some kind of a package, we certainly can use it. If Derb can't learn to put it up in a serviceable package he'll just have to let it run wild and go to seed.

I get intermittent worrying spells—not complaining, mind you!—about the Dublin copy. Lately we seem to be in one of those intermediate moods where everything goes along swell; clients satisfied, campaigns sightly and very professionally done. But as beautiful as our campaigns may be, well thought out, carefully executed—there is none of the dramatic stuff stirring. There is a reminiscence, it seems to me, of a hoochie-dancer at a County Fair. Much is promised, but the execution is distinguished by a deficient enthusiasm.

Sincerely,
JAMES W. DUBLIN.

Tides of Today's Opinion

Who forms whose opinions?

We hear a great deal about influence, and the cultivation of favorable public opinion in advertising and sales discussions.

We know that the average man does not pioneer many of his own opinions. We know that there are few original thinkers; many who follow, imitate, and emulate. The average man gathers his opinions as he goes along. He adopts most of them and adapts them to the opinions of his leaders. He concedes superiority to a leader's positive ideas against his own tentatives.

The truth of this is recognized by those who practice the Statesmanship of Selling. They are constantly at work to cultivate the favorable opinion of the leaders, knowing the power of those leaders to influence the followers.

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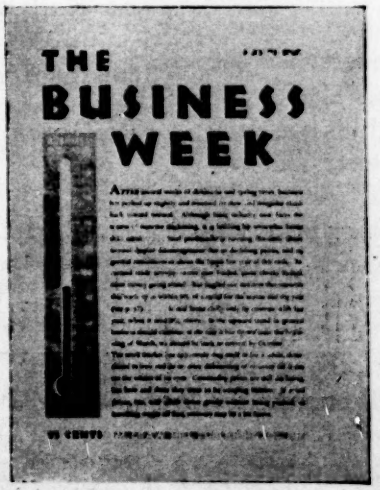
Today, as for many months past, there is much in the business situation for the exercise of opinion. That famous quintet of prefaces — What? When? Where? Who? and How?—has been liberally applied to the vital questions of today's business and tomorrow's future.

The responsibility of the leaders of business for sound decision is vital alike to stockholder, employee and customer. From what source would they draw the raw material for their thinking?

Amid the confusion and complexity of urgent affairs, there has been a pressing demand for concise, accurate, understandable, and honest facts, obtainable as fast as the changes in business itself.

Here was a need so real that it is not surprising that *THE BUSINESS WEEK* has become the most eagerly looked for, most widely discussed and quoted journal of business news and fact in the country.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The Statesmanship of Selling begins by cultivating leadership — by planting *informative* advertising where the leaders gather the raw material for their keenest thinking.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

August 6, 1930

A Policy, Please!

WE could not be expected to foresee anything so funny as the vaudeville of the Fish Committee's Red investigation, or so insincere as the bombast of Matthew Woll's defense of American labor and its bolshevist brother-workers in Russia against the communist menace; but we did, three months ago, forecast the inevitability and explain the meaning of the recent outbreak of official embargoes on Soviet exports. Our only mistake was that we thought it would start abroad, and that it would be honest, straightforward, and intelligent.

American business men—and all citizens—should not be fooled, flustered, or frightened by this uproar and confusion. This is an historic moment. A crucial question upon which may hang the destiny of nations is involved in these picayune political performances and this scramble of special interests. Some clear, candid thinking is needed, that we may know what we are doing, and make up our mind, as individuals and as a nation, what we should do.

Russia is the world's question mark, but she has left no doubt about her purpose. She knows, and we should know, that the world is not large enough to contain both the Soviets and the western nations. It cannot exist half communist and half capitalist. One or the other principle must conquer. That conquest will not be military; no nation or group can successfully invade Russia, nor can Russia conquer anything by force of arms. Nor will it be by propaganda; neither understands the other well enough for that.

The conquest, whichever way it goes, will be by economic forces, working through the processes and channels of trade and finance. Either the capital resources and technical skill of western capitalism will dissolve and transform communist Russia, or the regimented discipline, the natural resources, and productive power of the Soviets will break down and reshape western capitalism.

In this historic issue what part shall we play—we, the world's last, strongest, and most typical representative of western principles of economic freedom? Shall we confess doubt at the very beginning of the battle, turn our back decisively upon the enemy, barricade ourselves behind anxious embargoes and leave Europe and the rest of the world—already half-way toward communism—to the Soviet? Or shall we test the strength of our convictions, engage the enemy freely and fearlessly on the highroads of commerce, and use our resources of capital, intelligence, and skill to demonstrate the superiority of our economic and social principles?

Whatever our answer, it should not be determined by weighing rural against urban votes, the influence of steel and paper manufacturers against manganese and pulpwood producers, the non-union workers of tractor, machinery, and automobile plants against the dwindling union labor of coal mines and lumber camps. Such confusions and conflicts are only grist to the Soviet mill; when they are stirred up—worker against worker, employer against employer—we play into her hands. Divide and conquer is her strategy.

In this battle, whether we are to advance or retreat, we must have a united front, a clear and definite policy—not for a Fish, a Whalen, or a Woll; not for manganese, wood-pulp, lumber, or coal, nor even for tractors and machine tools, but for the Nation and the western world.

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